*** MARKET OVER NEXT FORTNIGHT ***

The MAGAZINE of WALL STREET

and BUSINESS ANALYST

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By Allen M. Smythe

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Cover Photo: Soviet Premier Nikita Khruschev and Red China's Mao Tse-Tung exchange greetings upon arrival in Peiping, China. They later signed the Moscow-Peiping Communique, the result of their secret 4 day meeting. —Photo by Sov Photo

Photo page 575—Courtesy The Indonesian Information Office

Photo page 562—Courtesy Douglas Aircraft

Photo page 561—Courtesy Fairchild Aircraft

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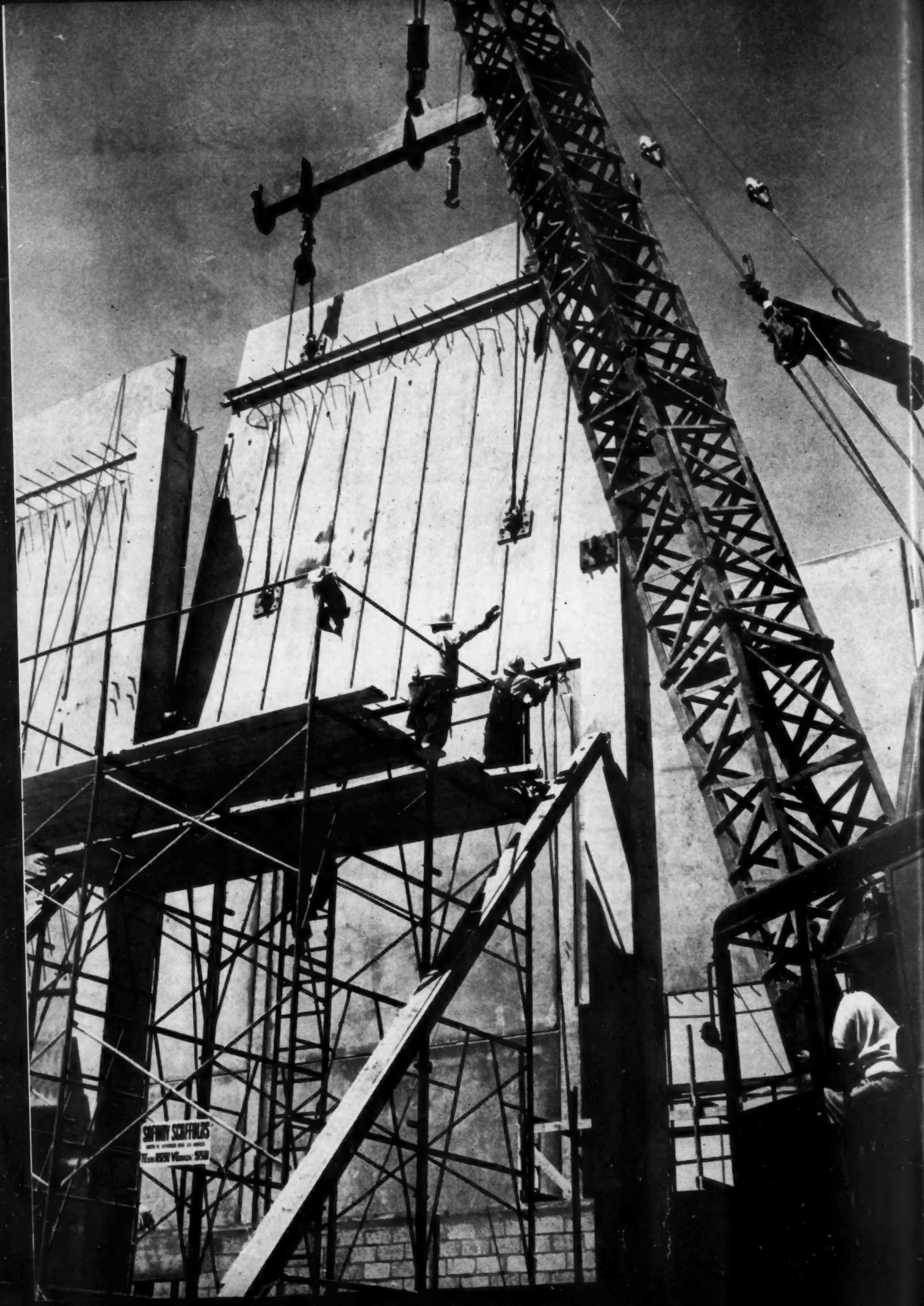
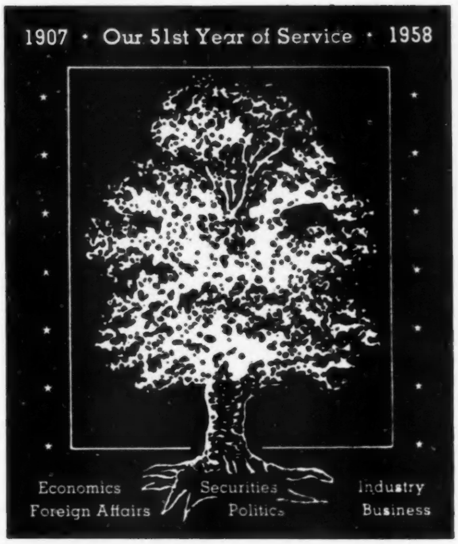

SAFWAY SCAFFOLDS

THE MAGAZINE OF WALL STREET

C. G. Wyckoff, *Editor-Publisher*



The Trend of Events

"THE ORDEAL OF WOODROW WILSON" . . . A timely contribution of the first rank was made by Herbert Hoover in his new book, "The Ordeal of Woodrow Wilson" . . . for it speaks of an era when we were innocents abroad in the field of diplomacy, and tells what happened to us then.

It contains a lesson that we should take to heart, for the wits of Europeans have been sharpened throughout the centuries by their combat one with the other, and their deals of convenience which have kept the continent in turmoil through one war after another.

It wasn't the agony of giving birth to the League of Nations that killed Woodrow Wilson. What wore him out was clearly the endless struggle against the intrigue at the Paris Conference and in the chancellories of Europe.

The crusade for human freedom that Woodrow Wilson dreamed of when he went to Paris was utterly destroyed by the sharp tactics and the secret deals that were made before the United States went into World War I. Thus, despite his great fighting spirit he was unable to accomplish his purpose of freedom and dignity for all men. And, in the end he came away from Europe hated and reviled — where upon arrival he had been emotionally welcomed as the great hero — the saviour of Europe.

What happened then should be a lesson to us today, for the United Nations, today's counterpart of the League of Nations, is merely a forum in which 81 nations are involved, each having their own special interests, and an active voice in the proceedings.

It must be clear to any thinking person that very little can be accomplished under circumstances where so many have the right to be heard. Yet we are now in the process of using this unwieldy organization as a means for solving the most delicate problems between the United States and Russia.

Maybe that is why Nikita Krushchev was convinced against his own most ardent desire to come to New York that it would be foolhardy to do so — even though I am sure he has absolute confidence in himself and his ability to succeed where others have failed.

On the other hand, a summit conference involving only the great powers would suit him well with his background and training in Communistic technique — which includes the making of agreements that would be lightly broken afterwards if it suited the purpose of the U.S.S.R.

However, I seem to have the impression that his acceptance of the United Nations summit meeting was not based solely on braggadocia and supreme self-confidence, but, that he really believed a meeting in this country with President Eisenhower and other key executives face-to-face would enable him to bring about a clarification of our relations that would result in greater understanding. This became a necessity when Nasser

We call the attention of the reader to our Trend Forecaster, which appears as a regular feature of the Business Analyst. This department presents a valuable market analysis of importance to investors and business men. To keep abreast of the forces that may shape tomorrow's markets, don't miss this regular feature.

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS: 1907—*"Over Fifty-one Years of Service"*—1958

emerged as the rival to Russian dominance in the Middle East which had been the Russian goal for 300 years.

His relations with China too had become critical when he found himself faced with the dilemma of how to deal with Mao Tse-tung who, since the time of Stalin, had believed that the mantle of leadership in the Communist world should fall on his shoulders.

From what happened in Peiping it is clear that Red China is fully aware of the situation facing Khruschev and the Soviet Union. If Mao Tse-tung emerges the victor, it may bring a sharp change in the world power line-up.

There is more than appears on the surface behind the communique released, which for the first time gave China co-equal status with the Soviet Union in the Communist bloc, and referred to "Red China and the Soviet Union" 8 or 10 times in the document, rather than in the reverse order used in all previous official papers. It leads one to wonder what happened.

I would give a lot to know what the Russians think about their Red China comrades today . . . and whether the real capitol of Communist power is now Peiping or Moscow!

MR. MIKOYAN'S GOLD HOARD . . . The suggestion that the United States Treasury raise its gold purchase price has been made by a number of countries in the last few years. This publication has persistently warned against such a step, largely because of the effects it would have on Soviet gold exports. Our suspicion that Moscow would be the main beneficiary of such a move has now been confirmed by none other than Mr. Anastas I. Mikoyan, First Deputy Prime Minister of the USSR and chief of staff of the Soviet Union's world-wide trade offensive.

In an article in the latest issue of the Soviet magazine *International Affairs,* Mikoyan calls clearly for an increase in the U. S. gold purchase price. According to the Soviet leader, the price of $35.00 per ounce is an "artificially low" one, imposed by the United States despite the wishes of the countries which export gold.

What Mr. Mikoyan does not say is that the USSR is now the world's second largest gold producer and that its gold exports to the free world are rising rapidly. Last year they amounted to no less than $260 million. A rise of fifty percent in our gold purchase price (which has sometimes been suggested) would thus have been equivalent to making the USSR a gift of $130 million last year!

There is no doubt that the USSR is truly in need of additional foreign exchange. Mr. Krushchev's recent suggestion to President Eisenhower that the United States advance the USSR large long-term dollar credits for the purchase of American goods clearly reflected the Soviet chief's concern over the lack of foreign exchange. Soviet dumping of aluminum and tin in Western Europe are also in all probability caused by the sudden need for additional foreign exchange. For normally the Soviet Union does not dump its goods but sells them at a price very close to that of the world market.

One of the reasons for the Soviet Union's desire for a better gold price may well be the higher cost of gold mining in the USSR. Until a few years ago, the big gold mines in the Lena river basin were mined exclusively by slave labor. The post-Stalin let-up (comparatively speaking) in police terror has reportedly forced the Soviet government to substitute paid labor for slave labor in a number of mining and agricultural enterprises. Gold mining may well be among them.

Mr. Mikoyan has also suggested another more worrysome reason: the desire to make the ruble an internationally convertible currency. The possibility of such a move has also been previously mentioned in these pages. But a recent article by Mikoyan in the Soviet magazine *Foreign Trade* gives the first official intimation of such a move. Naturally, international convertibility in the present world requires a large reserve of gold and/or dollars, as Britain, France and other western countries know only too well. A substantial rise in the Soviet Union's accumulated gold hoard, which is second only to that of the United States, would go far in launching the USSR on its way to full ruble convertibility.

Mr. Mikoyan has carefully refrained from discussing any of the advantages his own country would derive from a rise in the U. S. gold price. But by personally taking the pen to advocate such a step he has tipped his hand. It is hoped that the responsible officials in Washington will know what to make of this information.

BANANA BONANZA SOUTH OF THE BORDER . . . In Central and Upper Latin America, bananas are big business. Costa Rica, Honduras, Panama, Guatemala, Ecuador and Colombia account together for some 60 percent of the world's banana exports. In four of these six countries they, in fact, are the chief source of national income. The key to this $200 million anual trade is, of course, the giant American-owned *United Fruit Company* which accounts for the bulk of the region's bananas.

United Fruit has been operating in Latin America since the beginning of the century and has rendered important service to the people of Central America yet like many American companies operating abroad, it has become a favorite whipping boy for local opportunists and the No. 1 smear target of the pro-communist elements in that area. That these elements are by no means insignificant is known to political observers in Guatemala and Ecuador.

It is therefore of special importance that a highly respected independent U.S. research group, the *National Planning Association,* has made a comprehensive study of the role of United Fruit in Latin America. The fact that one of the two co-authors of the study is Sr. *Galo Plaza,* former president of Ecuador, lends interest to the conclusions.

They found that United Fruit, in the course of its activities in Latin America, has made a substantial contribution to the financial and physical well being of the people of the six countries where it operates. The fact that it has been leaving more than $7.00 within the productive area for every dollar in profits withdrawn, is an impressive factor in determining its economic service. Even more significant, the study points out that United Fruit has pioneered a tremendous productive enterprise for these countries compared to any other agricultural pursuit in which they engage.

Intellectual ammunition (in facts and figures) is presented for our friends south of the border, and should impress even those to whom United Fruit means no more than "economic colonialism."

As I See It!

By James J. Butler

WE ARE PREPARED!

No one wants war—not even the predatory and ambitious dictators—for war is always a terrific gamble. Yet violence is in the nature of man, and despite everything we can do to prevent the terrible holocaust that is war, it has been launched again and again by impatient men so greedy for power that they cast caution to the winds. Thus, with the lessons of two world wars in mind—we have met the challenge of preparedness. We are now, should the necessity arise, able to move into a war economy without great disruption.

That is why the violence flaring in the Middle East and threatening both military and economic consequences of a destructive sort to much of the world finds Washington exhibiting a degree of calm which, it can now be told, is the payoff of years of defensive planning.

We had been caught in the squeeze of World War 2 under conditions which caused the United States to face a serious threat of long prostration through deprivation of essential materials. We lacked the rudiments of a system for economic and political self-control. Our distributive method was geared, in those days, to peacetime requirements while we dozed in the Never-Never Land of unending abundance. But we learned our lesson over the long and arduous road, hewing out a path we could travel toward a success to be purchased at a price less than decades of national recuperation. We won. But we might have lost!

When Iraq exploded, we were prepared overnight to move into an economy of restriction and control of whatever intensity subsequent events were to stipulate. We have such a system in readiness today. It is the product of a continuing study, going on since V-J Day, dedicated to the proposition that we shall never again find ourselves floundering with domestic issues while trying to penetrate the uncertainties of survival. Business and industry have been partners in maintaining the system, serving without stint to maintain the Office of Defense Mobilization in a status that is hardly less important than is the Pentagon itself.

If all-out war were to come today, ODM would have in effect, under Presidential proclamation, a "freeze" on wages, hours, and scarce materiel allocation, and have it operating in 24 hours—overnight. Pearl Harbor cut off our supplies of rubber and oil, among other things. We had no synthetic industries; we had no stockpiles in the sense that warehousing of scarce materials is carried on now. Today the files of ODM are replete with data on location, types and amounts of stockpiled materials; location, availability and condition of machine tools; plans for rapid conversion of industry and key personnel kept up-to-the-minute on this phase of mobilization.

"Look, She's Adding Fuel to the Fire!"

The place and scope of the emergency would determine which of alternative plans, or combinations of them, would best be invoked in the first instance. Is it all-out war? Is it brush fire? Is it solely economic, and how long is it likely to last? These are the preliminary questions. But action would not await slide-rule computations of stresses and dangers: under existing defense powers, the President can declare a 90-day "freeze" of wages and prices, and of materials priority. Coincident with such a declaration the job of adjustments to existing considerations begins. The flow of materiel is not difficult to figure out on the basis of experience and constantly updated files which have moved in whatever direction the changing technics of defense or retaliation require. Allocations, then priorities; then, of course, development of new sources.

A 90-day freeze on prices and wages would not stir a ripple of resentment: it would preserve a status quo. And, as is the case with materials, the processes of adjustment would be in motion promptly. New ground rules *(Please turn to page 604)*

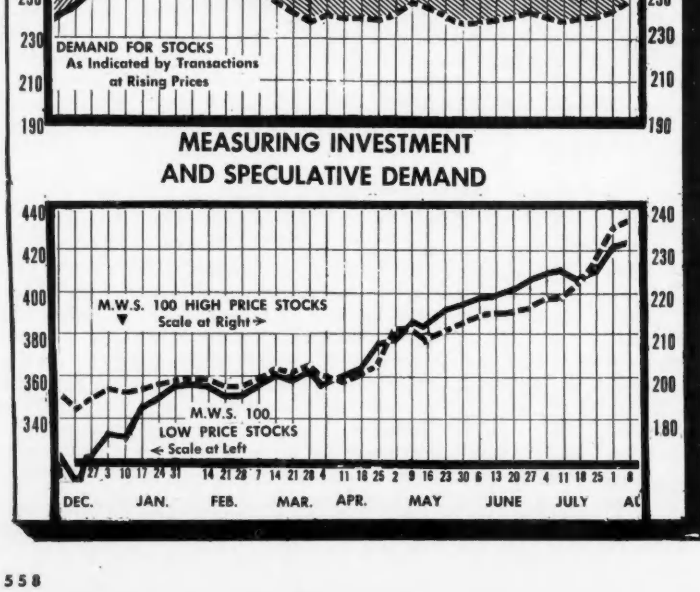
Market Over Next Fortnight

The boost in margin requirements signified official concern over the market's mushrooming speculative tendencies. While its importance is limited, the excessive rise, in any event, needed correction, since it had run too far ahead of prospective improvement in earnings and too far ahead of anticipated inflation. However, after the first impact speculative thinking turned toward the significance of the proposed increase in the government debt — and the uncertainties engendered by the continuing crisis in the Middle East underscored by the unfavorable possibilities arising from the United Nations debate. At this stage, therefore, we emphasize greater care in portfolio management awaiting clarification.

By A. T. MILLER

The increase in margin requirements ordered by the Federal Reserve Board, to 70% from the previous 50%, had been rumored for some days. Hence, it did not catch the market entirely by surprise; but it did catch it at a high and technically-vulnerable level, following the recent sharp additional advance at a pace too fast to continue for more than a short time in any event.

The initial response was a moderate retreat in average stock prices. It materially scaled down the sharp gains that had been scored in the period since the Middle East crisis, which was assumed to intensify the inflationary implications, took the spotlight. On balance, the position of the market has not been greatly changed over the fortnight since our last previous analysis was written. However, a sizable market sell-off within the late summer or autumn period could be justified despite the inflationary factors and business improvement.



The rise of the industrial average to within close reach of the 1956-1957 triple-top level of 521 has had an increasingly speculative foundation over the last four months or so.

Indications Of Excess

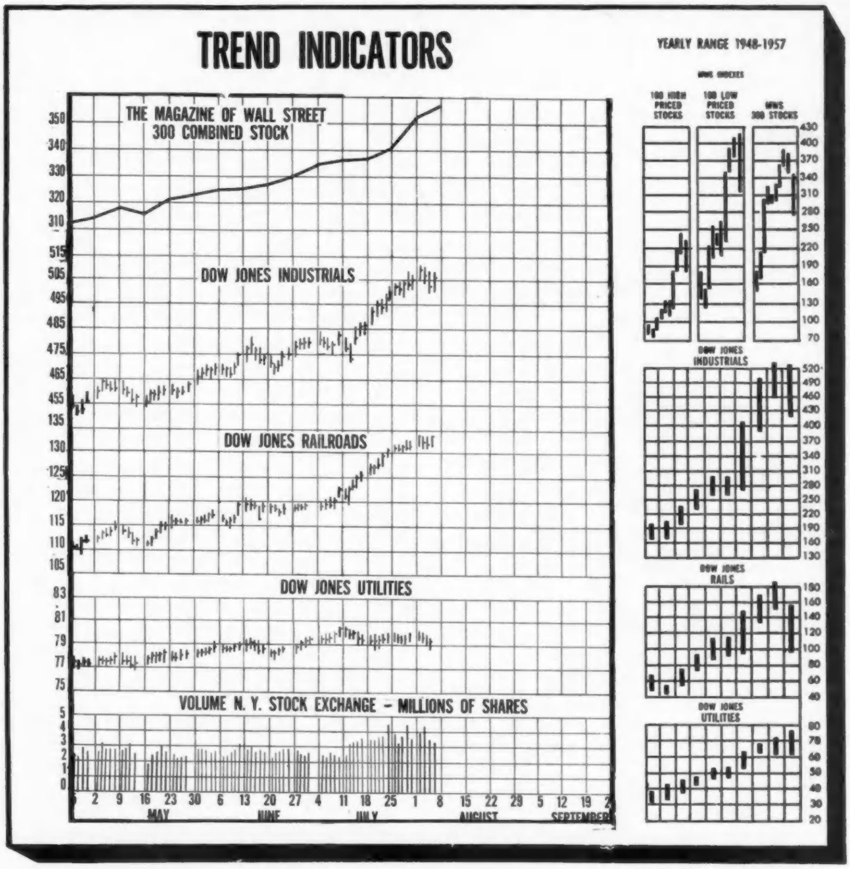
At the market's best recent level, price-earnings ratios were generally much above those prevailing at the 1956-1957 tops, due to sharp recovery in stock prices with earnings lower. Average cash dividend yield on industrials was down to the vicinity of 3.7%, or within a hair of its lowest 1956-1957 figures. The spread between stock and bond yields was even narrower than it was at the market's 1957 top and, indeed, very close to being extinguished.

But, with people more "sold" on continuing inflation than ever before, who cares about yields? Capital gain is the thing! Capital gain for the medium term or the long term, regardless of the fact that so many stocks are already overpriced by all time-tested yardsticks of rational valuation. Capital gain simply on the basis of supply-demand factors, with more people inclined to hold or buy stocks than to sell. This is a fact, and nobody can say when it will change; but those who think that change is either impossible or very distant have short memories. The supply-demand balance has shifted repeatedly

in the past, without advance warning. It will, of course, do so again, in due time.

Following 1957's July-October fall of 101 points, the industrial average's maximum net rise to the August 4th high approximated 90 points. About 80% of the total recovery was scored in roughly four months since early April — the period which has brought increasing evidence of the turn from business recession to the start of a recovery cycle of uncertain scope and speed.

About 30% of it was scored in the sharp, excited surge in a few weeks after initial news of the revolt in Iraq and the resultant Middle-East crisis—the period of psychological allowance for possible limited war, stepped-up inflation, accelerated business recovery. As regards the apparent war threat, although the tension eased quickly, the market's inflation fever, which has fed on itself in quite considerable measure, continued.



Regardless of inflation—as has been repeatedly demonstrated during the long period of dollar depreciation since World War II—stock values depend primarily on prospective earnings and dividends. Even if it were otherwise, however, there would still be the question of how much inflation how soon—the question whether the market has discounted too much inflation too soon.

We have no doubt that it has; and that, with price-earnings ratios high and yields not too attractive, the inflation spector has been used to rationalize buying by speculators, as well as by investors who have found themselves under increasing pressure to employ accumulating cash—and who believe they should take advantage of the market made by the speculative gamblers.

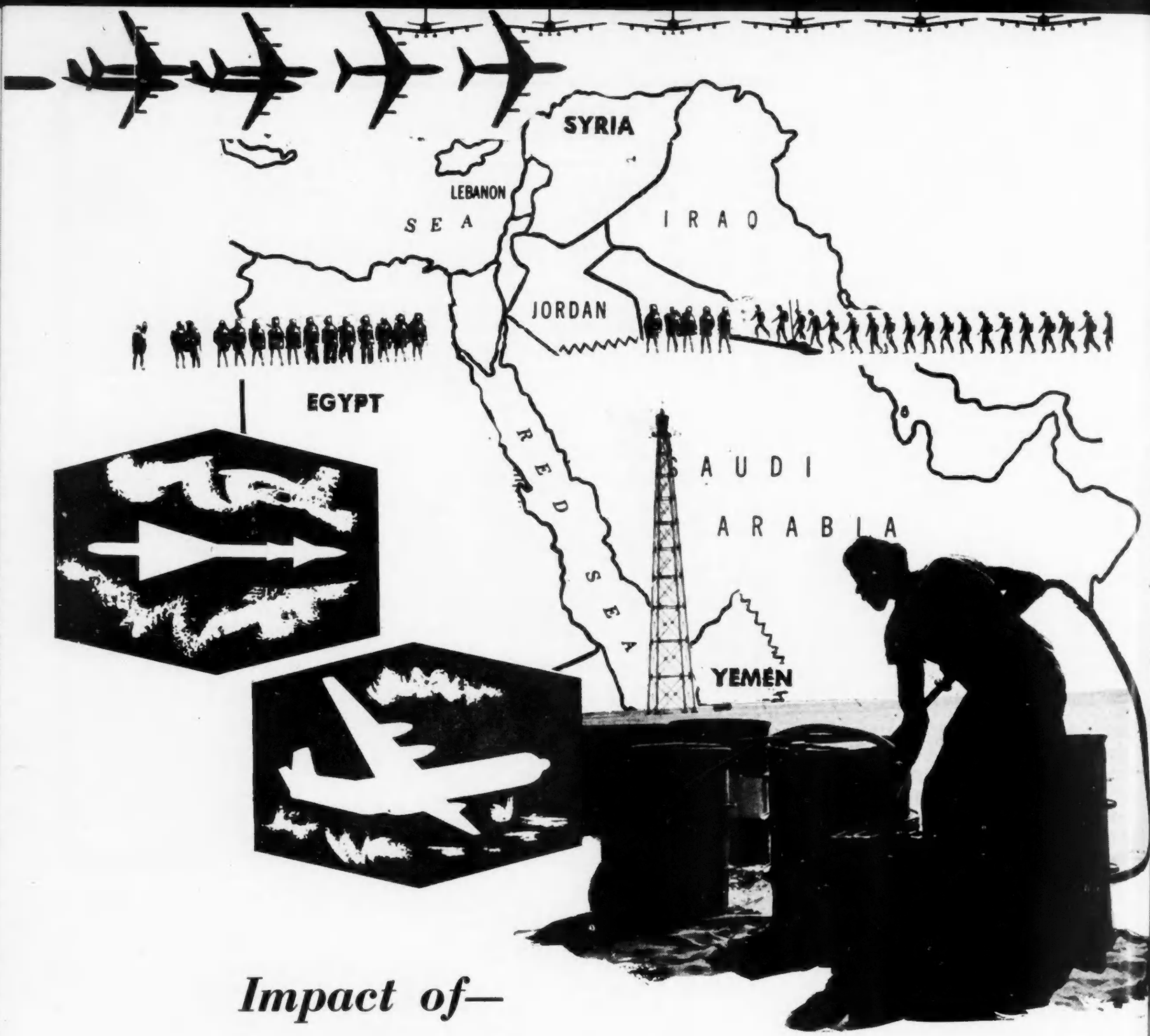
There is, of course, a thread of "creeping" inflation. It centers in (1) Federal deficit financing mainly via short-term paper sold to commercial banks, with consequent expansion of the money supply; and (2) pressure of the labor union monopolies for excessive, cost-boosting wage increases. But on the restraining side are ample-to-excessive supplies of materials and goods, (see Business Analyst in this issue), excess capacity in manufacturing industries, keen competition, consumer resistance to high prices. It is no longer easy to soak the consumer.

Thus, most manufacturers using steel probably will have to absorb the latest hike in steel costs stemming from the third-round wage boost effected July 1 under the mid-1956 contract. Come next summer, the steel industry is unlikely to agree to an equally inflationary contract. To an even greater extent than steel, aluminum and copper are industries of surplus supply and surplus capacity. Yet there has been heavy recent demand for aluminum and copper stocks as "inflation hedges."

Over the last decade, inflation of the consumer price index has averaged about 2.4% a year, with most of it coming in (1) the Korean-War period; and (2) the unprecedented 1956-1957 capital-goods boom. The latter is not likely to be repeated in at least nearby years. Without a war factor or a capital-goods boom, why should the dollar's value continue to depreciate at the rate of the last ten years?

But assume, for the moment, that the 2.4% "inflation rate" will continue. Contrasting with it, the annual rate of market rise (industrial average) from early April to recent high was about 45%; and that from just before inception of the Middle-East crisis to about 66%. One thing sure: we are having a stock-price inflation. We had it in extreme degree in the speculative market of 1928-1929, with no general commodity price inflation.

Most lead-type business indicators point to further recovery ahead; but only limited revival of demand for consumer durables is likely on a medium-term view, and the turn in capital goods is fairly distant. The stock market needs adjustment and consolidation to be healthy. With the inflationary psychology feeding speculative fever, investors must be more careful than ever to tie their purchases to value. —Monday, August 11th



Impact of—

Middle East on Defense Program

By Allen M. Smythe

EARLY in June this year, the House of Representatives, after the usual hearings, passed a defense appropriation bill and sent it to the Senate for their consideration. It was $377 million under the President's budget request.

Eight weeks later, and shortly after the tumult in Lebanon and Iraq brought the Arabic world to a boil, the Senate passed its version which was $1.6 billion over that of the House bill. As if for emphasis, it was approved unanimously. While the action in Lebanon pinpointed the need for enlarged military airlift capabilities, it placed greater emphasis on the development of the "second generation," (i. e., solid fueled) ballistic missiles. It indicated a continuing and increasing interest in science and spaceships.

The final bill did not cover this increased amount but the Pentagon was given to understand that a supplementary bill would be approved next session if appropriated funds prove inadequate. Congress, while critical of much defense planning, wants it understood that money will be available to meet all necessary, even if unexpected, demands.

While Congress has thus given every evidence of supporting our Middle East venture with funds, they have not retreated from their previous demands that money appropriated be spent in the most efficient manner. Three committees, the House Appropriations Committee, the Senate Military Affairs Committee, and the Hebert House Investigating Subcommittee, have announced their staffs would be active during recess in observing Pentagon procurement activities.

Critical staff reports and analyses often serve both as a warning and as a brake on wasteful defense spending. They could result in restrictive

legislation and reduced appropriations. Just before recessing, these congressional groups asked their staff to review the Pentagon's practice on issuing of letters of intent and delays in converting them into formal contracts, on issuing negotiated contracts in preference to advertised bid contracts, and on delays in settlement of incentive and price redetermination types of contracts.

The General Accounting Office, an agency of Congress, has been called upon by the House Government Operations Committee to make an audit of a number of Pentagon aircraft and missile contracts, and study the need of a uniform set of contract cost regulations.

In other words, Congress is generous with the taxpayers' money when the national security is at stake but at the same time is insistent that the Pentagon not deviate from its procurement policy of getting "the biggest bang for the dollar."

Neither the military nor the fiscal planning has proved adequate to the Middle East task that lies ahead. The sudden and violent coup d'etat that launched the new Iraq Republic and caused worldwide repercussions on the diplomatic front also forced reappraisals of military planning. It has lifted Washington out of the mid-summer doldrums and spurred military action that will be swift and far-reaching. In spite of wrangling over details the components of new approaches are clearly distinguishable in the Pentagon and on Capitol Hill.

Fairchild F-27 turbojet in flight.

The Middle East problem is no longer an academic theory. With the landing of our troops in Lebanon it became a cold and realistic fact and will be dealt with as such. The Middle East and the Arabic world with their Suez Canal, their oil and other resources are vital to the economic health of the free world. Congress was quick to recognize this. In spite of Pentagon disclaimers of interest in more spendable funds, the lawmakers confidently acted to provide additional dollars.

It might be well, at this point, to examine Defense Department protestations against Capitol Hill "generosity". Last year, the Pentagon "rejected" supplementary funds for plane procurement — but spent most of it anyway! This year, Secretary McElroy takes the same position. But conditions, not pre-conceptions, will determine how much of the proposed new money will go into the marts of trade. Almost all of it, very likely.

The Soviet interest in the wealth of the Middle East is shown by continuous propaganda and present activity on the diplomatic front and before the United Nations. Does it mean a big war? Most military observers do not think so. Their reasoning is that the Soviets do not now have the economic or military capabilities to risk an atomic war. But it could mean a series of small "brush-fire" wars.

Aircraft and More Aircraft

To prepare for minor wars and threatened outbreaks the Pentagon plans to enlarge its fleet of aerial transports. Standard models like the C-130 (Lockheed) and the C-133 (Douglas) can be obtained easily. Both are tested aircraft using the fuel-saving turboprop engines. Orders for 50 to 250 of the new Fairchild Friendship F-27 airliner are also under consideration. This new small airliner, with first deliveries now being made, has characteristics that would enable it to operate effectively on small and less modern airports.

Douglas and Lockheed would be very receptive to additional airframe business. A sizeable order of military transports to Fairchild would do much to reduce the deficit the company sustained the first six months of this year. It could mean substantial profits next year.

To prepare for a big war this country has a heavy concentration of air striking power in the Strategic Air Command. The 1800 medium B-47 bombers of SAC for use on our overseas airbases have cost the taxpayers over $7 billion dollars. About the same amount will cover the production cost of the 640 heavy B-52 bombers scheduled for completion in 1960. Their aerial refuelers, the KC-97 and the KC-135 will add up to another $4 billion. All these are Boeing aircraft. The new Mach 2 medium B-58 bomber (Convair) is now going into production.

The final goal for an instant retaliatory air striking force has not been achieved but is well on the way. This deterrent power may persuade an aggressor not to start World War III but it is not what is needed to stamp out "brush-fire" wars. For that, the old military adage " To get there firstest with the mostest" is required.

These are among the considerations that have caused some defense officials to reflect on whether too great an emphasis (and money) has been spent on deterrent air power. Senators Symington, of Missouri, and Jackson, of Washington, do not think so. They want more heavy bombers and jet tankers and added $240 million to the Senate version of the fiscal 1959 appropriataion bill for that purpose. But, say some Pentagon officials, the ability to handle small "brush-fire" wars fast and effectively is also a deterrent to a big war.

Astronomical Spending

With the increasing complexity, speed, magnitude, and lethality of our new weapons, the costs have risen in a geometric ratio. The new debt limit and the recent admonitions of the President to the Pen-

tagon to keep expenditures to "around 40 billion" are fresh in the minds of our departing Congress as well as federal fiscal officials.

On the promises from employe groups to economize, Congress has recently increased salaries of military and civilian employes of the Pentagon a billion dollars a year. At least some of the top officials are seeking methods to carry out that pledge. There has been a disinclination in both Congress and the Pentagon to make further cuts in military personnel at this time. That leaves operating economies, construction hold-ups and shifting of funds for military hardware to take care of increases in military airlift aircraft, research, and further emphasis on the second generation of solid-fueled ballistic missiles and spaceships.

Mr. McElroy's Ideas

Secretary McElroy believes that considerable funds can be saved by eliminating the duplicate approaches being made on our weapons systems. Mr. McElroy is convinced that there are too many missile projects. Service rivalries are blamed for much of this.

A special advisory board has made recommendations to Mr. McElroy for elimination of a number of duplicate missile projects. The most controversial has been the Thor-Jupiter dispute which has been thoroughly aired in the public press. Both are liquid-fueled intermediate range (1,500 miles) ballistic missiles. The Air Force has the Thor (Douglas) ready for production and eight operating squadrons will be placed on British bases this winter.

Douglas DC-8 designed for the commercial jet age

No production line is planned for the Jupiter (Chrysler), originally developed by the Army. The Air Force is planning to have a limited number built at the Army Redstone Arsenal. Plans were made to send four operational squadrons to France. However, France is reluctant to accept them unless America builds and pays for the bases.

Secretary McElroy has ordered the Air Force to develop a land based version of the Navy Polaris (Lockheed) IRBM missile. This is one of the Navy's top priority weapons designed for launching from submarines when submerged. It uses a solid propellant and could meet the demands of our NATO allies for a mid-range missile with a movable base. It will be several years before it can go into production.

A somewhat similar situation exists in the dual approach to the USAF 5000 mile ICBM. The Atlas (Convair) has been under development for a number of years and is reported to be costing in the neighborhood of a half billion annually. The Titan (Martin) with a later start is costing half as much but will soon close the financial gap. Both are liquid fueled and the maintenance and operating problems and costs are adding to the engineering difficulties.

Mr. McElroy wants to spend some of these funds on other top priority projects. It was hinted that some of the Titan's development efforts could be shifted to reconnaissance satellites and spaceships. In the meantime the Air Research and Development Command is in the early research stages of a new solid fueled ICBM called the Minuteman. The Air Force may use its new procurement concept of asking "a team of contractors" to produce this weapon. Sizable contracts have already been given to Aerojet, Avco, North American, Ramo-Woolridge, Thiokol, and Hercules Powder. The final weapon is also expected to cost the taxpayers several billion dollars.

Preparing for Small Wars

The Army believes the Middle East flare-up will strengthen its policies of being prepared for small wars. The Army has an abundance of conventional weapons and now believes it will have less difficulty in obtaining funds to buy modern helicopters, rockets, short range guided missiles, and assault cargo planes. The stress on mobility and tactical warfare fits in well with Army planning.

The Army in an effort to enlarge its field of activities provoked a dispute with the Air Force when they started to develop short range ballistic missiles. Ex-Secretary Chas. E. Wilson ruled that their mission was limited to 200 miles from the battle front. The result was the short range (175 miles) Redstone (Chrysler).

The toxic and evaporation problems of the liquid fuel have proved monumental. This 65 foot, 70 ton weapon has proved difficult to transport and maintain. Mr. McElroy also thinks the production cost of $1 million "is a crazy idea for a field weapon."

The result is that the Army has placed a top priority contract with the Martin Co. for a smaller solid propellant missile to replace the Redstone. McElroy has implied that if the new weapon is much more mobile and less expensive and also increases the range he will change the range of the Army mission. Spurred by this opportunity, the Army is developing a very mobile missile "at very much less expense." Last reports indicate it may have a range of over 700 miles. As if to guard their proprietary rights the new weapon will be called the Pershing.

Of interest to electronic firms is the apparent decision of the Pentagon to go ahead with the modernizing of our early warning systems to detect the approaches of enemy ballistic missiles. According to one Senator the news "makes very depressing budgetary reading." *(Please turn to page 598)*

What Second Quarter Earnings Reports Reveal

—*Looking to 1959*

By Harold B. Samuels

PART I

SIGNS that the recession has been at least temporarily arrested are appearing in ever increasing number at the moment. But none give as much cheer to investors as the better than expected earnings figures being reported by many of our major industrial companies. True, in most cases profit figures are well behind the second quarter of last year, but they are also unmistakeably better than the sharply depressed last two quarters.

But before investors do any handsprings over the latest reported figures, it should be pointed out that there is still considerable cause for concern. For one thing the business upturn is still very young, and its pins are shaky enough to be upended by a sudden ill-wind. Equally important, however, is the fact that most of the earnings improvement being reported is the result of increased sales, rather than any marked victory in the never-ending battle to control costs. This is highly significant, since it poses the threat that earnings may again turn down sharply if the business upturn proves short-lived.

Another disturbing element is one pointed out in The Magazine of Wall Street's appraisal of first quarter earnings: that is, the seeming willingness of corporations to report earnings that appear better than they actually are. Westinghouse, for example, made headlines with its report of better earnings than in the second quarter of 1957. Close examination, however, leaves a slightly different impression. The 97¢ per share is, in fact, better than the 95¢ reported a year ago. But is also true that sales dropped 6 per cent from $507 million last year to $474 million in this year's second quarter, while net income before taxes plummeted 20 per cent to $27.6 million from $34.6 million last year. The better earnings per share, however, is explained by differences in the tax account which were over $7 million less this year because of certain non-recurring benefits derived from the merger of several subsidiaries. Thus, while it is true that Westinghouse earned more per share in this year's second quarter, it would be foolhardy to pretend that business at Westinghouse was actually better than a year ago.

Other companies are also reporting confusing results. U.S. Steel again found it need not make any contribution to its employees benefit plan, raising

earnings approximately 30¢ per share. And General Motors appears to have earned its dividend only because it credited substantially less to its tax account than might reasonably be expected. While the amount comes to only pennies per share of stock, the fact remains that if GM had charged itself for taxes at the same rate as a year ago, net income would have been only 46¢ per share, instead of the reported 52¢, which so very barely covers the 50¢ dividend.

But aside from these reservations, there is no mistaking the fact that corporate earnings in the second quarter were better than in the first. Moreover, a surprisingly large number of companies joined hands with major producers to show better results.

Thus, even the cyclical steel industry is sprinkled with examples of smaller companies that performed far better than they did in the first quarter. A glance at the accompanying table, for instance, shows that **Jones & Laughlin's** earnings jumped 143 per cent from 17¢ per share to 47¢, and **Youngstown** was able to report $1.23 per share against $1.04 in the first three months of 1958.

Mixed Earnings in Most Industries

Despite the success of some secondary companies, however, the trend of earnings is mixed in most industries, and it is individual companies that make the most important profits news.

Eastman Kodak, for example, not only scored a sales and earnings improvement over the first quarter, but its sales were also considerably above the second quarter of 1957. In the first three months, Kodak's sales had slipped to $164 million and earnings had dropped to 77¢ per share from 92¢ a year ago. In the second quarter, however, sales bounded ahead to $189 million compared to $184 million in the same period last year, and earnings equalled the $1.17 per share of a year ago despite much higher selling expenses.

Equally important, however, Kodak apparently made good progress in reducing inventories since cash items jumped from $160 million last June to almost $208 million at the end of this year's second quarter. Working capital scored a comparable advance from $272 million to over $300 million for the same period. In sum, Kodak seems to be one company that has weathered the recession well, and is, as a matter of fact, stronger financially now than it was a year ago.

Of course, Kodak's dominant position in the photographic field has helped its fortunes. Other chemical companies were not so fortunate, however. Both Du Pont and Union Carbide were able to better their first quarter results, but earnings do not compare nearly as favorably with a year ago.

Du Pont's earnings dropped to $1.57 per share from $2.18 a year ago, and for the entire half, profits are reported at $3.08 per share compared with $4.30 in the first six months of 1957. Thus it appears that the 14 per cent reported drop in sales caused a 25 per cent drop in earnings. It should be considered, however, that Du Pont's earnings take on a picture of stability because of the large General Motors dividends received each quarter. Technically, if these dividends are removed the company's earnings from operations actually dropped by 40 per cent, from $3.08 last year to $1.81 in the six months just ended.

Nevertheless, Du Pont is particularly well situated to benefit from an upturn in business conditions, and earnings for the balance of the year should show an improving trend. Overall industrial activity is already picking up, and new signs of encouragement are coming from the textile industry, which is so important to this great company's overall operations.

Union Carbide should also report better results from here on, especially if the steel industry continues to act as well as it has in the past month. Moreover, Carbide must do better if the $3.60 dividend is to be covered this year.

So far, it must be stated, this major chemical company's earnings have been unsatisfactory. Per share profits of 76¢ in the first quarter were well below the 90¢ dividend, while second quarter earnings just equalled the usual payment. Of course, Carbide's dividend coverage has seldom been exceptionally wide, as indicated by the $1.13 per share earned in the same period last year and the $1.17 reported in 1956. Nevertheless, coverage will have to be better than it has been so far this year to warrant continued payments.

The Carbide statement has one encouraging aspect, however, in that it shows one of the real instances of progress in the cost control problem. Sales in the second quarter were virtually unchanged from the $294 million scored in the first three months this year. But profit margins widened considerably under rigid cost restrictions, raising net profits to $27 million from $22.8 million in the first quarter. Thus, if business continues to pick up for the company, control over costs may lead to a much better than average second half.

The other big area of hope in Carbide's situation is the improved level of current operations of its electrode and ferroalloy business, since these divisions were responsible for almost 80 per cent of the company's drop in sales from last year's levels. Currently, these divisions are operating at 60 per cent of capacity compared with 50 per cent earlier in the year, and should improve if steel can maintain its current pace.

Autos Badly Depressed

Of our major manufacturing industries, the automobile producers had by far the worst record in the second quarter, and indeed for the entire year so far. Only **General Motors,** among the three major producers, was able to report a profit in the second quarter, and its dividend coverage was so narrow as to be suspect. Ford and Chrysler, however, were particularly hard hit.

Ford reported a loss for the first time since its stock became publicly held, and in fact, the record goes all the way back to 1946 before another losing period shows up. At that time Ford was $8 million in the red for the year, while currently the deficit figure stands at $17.3 million for six months. The disastrous second quarter, which witnessed a 38 per cent sales drop, and wiped out all but ten cents of the 42¢ per share earned in the first quarter, necessitated a dividend cut of 20¢ per share.

Chrysler, interestingly enough reported some progress over the first quarter, but operations were still

Quarterly Sales, Profit Margins and Earnings of Selected Companies

	— Second Quarter 1958 —			— First Quarter 1958 —			— Second Quarter 1957 —		
	Net Sales (Millions)	Net Profit Margin	Net Per Share	Net Sales (Millions)	Net Profit Margin	Net Per Share	Net Sales (Millions)	Net Profit Margin	Net Per Share
Air Reduction	$ 42.3	7.5%	$ .83	$ 43.2	7.8%	$ .88	$ 46.8	8.3%	$1.02
Allegheny Ludlum Steel	48.7	1.3	.17	50.4	1.4	.19	72.4	4.0	.77
Allied Chemical Corp.	166.4	5.1	.87	148.8	4.5	.68	183.6	6.5	1.22
Allis-Chalmers Mfg.	149.8	4.2	.75	119.6	1.9	.27	147.8	4.1	.74
Aluminum Co. of Amer.	185.0	4.3	.36	181.5	6.3	.53	214.6	9.0	.91
American Cynamid	124.8	5.4	.33	132.5	9.3	.58	127.0	8.1	.49
American Smelting & Refin.	98.0	3.6	.49	102.5	3.9	.57	121.5	4.2	.78
Bell & Howell	12.6	3.1	.54	11.1	2.1	.30	10.1	2.5	.35
Chrysler	537.8	d1.9	d1.16	537.2	2.8	d1.74	910.3	4.7	4.95
Colgate-Palmolive Co.	137.1	2.8	1.53	128.2	3.4	1.72	126.4	3.0	1.50
Container Corp. of Amer.	63.0	5.7	.34	60.6	5.4	.31	63.8	6.3	.38
Continental Baking	81.3	2.6	1.17	76.7	2.1	.60	76.8	2.4	1.13
Continental Can	257.9	3.8	.84	240.8	2.8	.60	271.0	4.5	1.06
Douglas Aircraft	281.8	1.1	1.09	312.1	2.7	2.32	294.2	2.6	2.13
Du Pont	438.0	N.A.	1.57	421.9	16.9	1.51	494.0	20.2	2.18
Eastman Kodak	189.1[1]	11.9[1]	1.17[1]	164.4[1]	9.0[1]	.77[1]	184.8[1]	12.2[1]	1.17[1]
Eaton Manufacturing	40.5	3.6	.80	43.5	3.8	.85	63.0	5.6	1.92
Ford Motor	891.5	d1.9	d.32	1,095.8	2.0	.42	1,440.0	4.8	1.30
General Electric	1,014.0	5.3	.62	964.9	5.1	.56	1,072.4	5.9	.73
General Foods	249.1	5.1	1.05	358.3	3.8	1.13	247.0	5.1	1.05
General Portland Cement	11.6	20.8	1.16	9.5	17.7	.79	10.9	20.4	1.07
Goodrich (B.F.)	172.0	4.5	.90	161.9	4.6	.70	161.9	5.9	1.07
Hercules Powder	59.9	7.3	.51	56.8	5.8	.38	63.9	7.2	.55
Industrial Rayon	10.2	d8.3	d.46	11.6	2.1	d.13	13.4	3.5	.26
Inland Steel	159.9	7.5	2.12	150.2	5.3	1.40	203.1	7.4	2.68
Int. Business Machines	297.1	9.1	2.30	267.4	8.9	1.98	240.9	8.8	1.85
Jones & Laughlin Steel	156.2	2.5	.47	144.5	1.1	.17	228.3	6.0	1.85
Kennecott Copper	88.6	12.7	1.04	84.7	13.7	1.08	126.7	17.0	1.99
Lorillard (P.)	117.1	5.3	2.09	104.0	5.3	1.90	56.5	2.7	.47
Monsanto Chemical	137.5	5.0	.31	161.0	4.7	.34	145.8	7.2	.49
North American Aviation	216.1	2.4	.67	239.8	2.6	.80	293.9	2.7	1.01
Radio Corp. of America	264.2	1.7	.27	278.3	3.2	.59	269.2	2.8	.48
Republic Steel	226.5	6.7	.98	190.6	4.5	.55	338.2	7.3	1.60
Reynolds Metals	106.8	8.7	.81	115.6	8.5	.86	111.7	7.7	.75
Reynolds (R. J.) Tobacco	285.6	6.5	1.81	254.4	6.6	1.64	271.1	5.5	1.44
Rohm & Haas	44.2	7.7	3.11	39.2	7.2	2.60	46.9	8.9	3.83
St. Joseph Lead	16.1	d1.2	d.08	18.2	13.3	.89	26.8	11.2	1.11
St. Regis Paper	90.7	4.6	.51	81.6	4.3	.42	92.3	5.5	.61
Schering Corp.	17.7	13.6	.59	20.1	17.1	.85	18.7	17.6	.81
Scott Paper	71.0	7.8	.69	70.6	7.5	.66	69.6	7.8	.68
Smith, Kline & French	30.7	17.3	1.11	30.6	16.4	1.04	28.4	20.3	.97
Socony Mobil Oil	N.A.	N.A.	.59	N.A.	N.A.	.81	N.A.	N.A.	1.23
Standard Oil of New Jersey	1,830.0	6.7	.61	1,890.0	8.8	.82	1,987.0	11.3	1.15
Sylvania Electric	75.4	1.8	.37	72.1	1.6	.30	74.9	2.2	.46
Texas Co.	N.A.	N.A.	1.17	N.A.	N.A.	1.20	N.A.	N.A.	1.44
Union Carbide Corp.	294.8	9.1	.90	294.0	7.7	.76	339.0	10.0	1.13
U. S. Steel	863.0	8.4	1.25	800.0	7.8	1.04	1,170.3	9.9	2.04
Vanadium Corp. of Amer.	9.3	4.3	.32	11.2	3.5	.31	13.6	8.1	.88
Westinghouse Electric Corp.	474.6	3.5	.97	449.3	2.9	.73	507.2	3.2	.95
Youngstown Sheet & Tube	124.1	3.4	1.23	113.6	3.1	1.04	179.2	6.3	3.29

N.A.—Not available. [1]—12 weeks.
d—Deficit.

$10 million in the red. After the $15 million loss in the first quarter the dividend was cut to 25¢ per share from 75¢ to protect the company's strong cash position, but management apparently felt satisfied enough with the improvement in the last period to maintain the reduced payments. Sales actually improved over the first three months, while some success was realized in cost control.

All in all, this appears to be a lost year for the auto makers. With shutdowns for new models already under way third quarter earnings will remain unimpressive, throwing the entire burden for a successful year on the fourth quarter. Needless to say, it will require a highly enthusiastic public reception for the new cars to make this even a moderately successful year for the major companies. Moreover, Chrysler's recent decision to purchase Ford's interest in Simca, the French auto manufacturer, and to sell these small cars indicates that the industry is not nearly as sure of its "big car theories" as it pretends to be. Recent confident predictions of at least 5,900,000 car sales in 1959 should be measured against the industry's notoriously poor predictions of the last few years.

Oil Outlook Brighter

In contrast to the auto makers, the petroleum industry appears to be headed into a decidedly better second half, provided the general upturn in the economy can be sustained. For many companies, operations in the balance of the year should serve to counterbalance the sharp profits drop of the first six months.

Actually some improvement began to show up in the second quarter. Gasoline stocks have been worked down, removing much of the price pressure refiners had to contend with during the last quarter of 1957 and the first four months of this year. Moreover, the effective control over production exercised by the Texas Railway Commission, combined with the limited success of the government's "voluntary" import restriction plan, has resulted in a more balanced supply-demand relationship for all major petroleum products, with the single possible exception of heavy fuel oils.

These signs of improvement have not been reflected in oil company earnings statements as yet. Thus, **Standard Oil of New Jersey** reported earnings of 61¢ for the second quarter versus 82¢ in the first quarter and the results for the first half, of $1.43 per share, are far below the $2.35 per share reported in the first half of last year. Similarly, **Socony Mobil** showed a decline in net in the second quarter of this year, to 59¢ a share, compared with 81¢ in the first three months. For the first half of this year, net was $1.40 a share, down from $2.70 in the first half of 1957.

Earnings betterment should begin to show up in the second half, however, in view of the better balance in crude and product inventories and the consequent firming of prices.

Metals Still Depressed

Unhappily, other "natural resources" industries cannot boast as favorable a picture. **Reynolds Metals** almost alone among the metals, improved its earnings, but this was purely the result of some long-lead contracts with the federal government which raised its shipments well above the industry average.

Alcoa's showing is more typical of the aluminum group. This giant of the industry saw its six months net income fall by 50 per cent, and indicated that cost control was still a major problem. In the second quarter, for example, sales actually were slightly ahead of the first, but net income slipped further to 36¢ per share from 53¢ in the year's opening period. Apropos of several articles that have appeared in this magazine in recent years warning about excessive valuations for growth stocks, it is interesting to view the following earnings regression for Alcoa: first half 1956 earnings were $2.31 per share, last year they were $1.79, and this year's figures tote up to only 88¢.

Undoubtedly earnings for the balance of the year will hinge largely on Alcoa's ability to make its recently announced price increase stick. Before assuming that it can, however, several factors should be pointed out. First, although the major domestic producers have followed suit, Aluminum, Ltd. has so far failed to act, stating that heavy Russian supplies still overhang the market. Secondly, the aluminum industry is attempting to increase prices in the face of declining demand, and at a time when the price of substitute products, such as copper, are severely depressed. It should not be forgotten that it was much lower prices that gave aluminum its strong competitive advantage over other metals. All in all, it would be prudent to adopt a "wait-and-see" attitude towards the aluminum companies. Other metals companies are also still deeply enmired in difficulties.

Kennecott Copper's earnings fell far short of dividend requirements despite slightly better prices for its products in the second quarter. Whether or not Kennecott can maintain its dividends at this rate is one of the market's biggest question marks.

Lead and zinc producers are in even a worse fix. **St. Joseph Lead**, one of the industry's major producers stumbled even further in the second quarter, wiping out part of the profits earned in the first period. Sales fell 11 per cent in the most recent quarter, but earnings plummeted from a $2.6 million profit in the first three months to a deficit of $209,000, reducing six-month earnings to 81¢ compared with $2.12 per share in the same period a year ago.

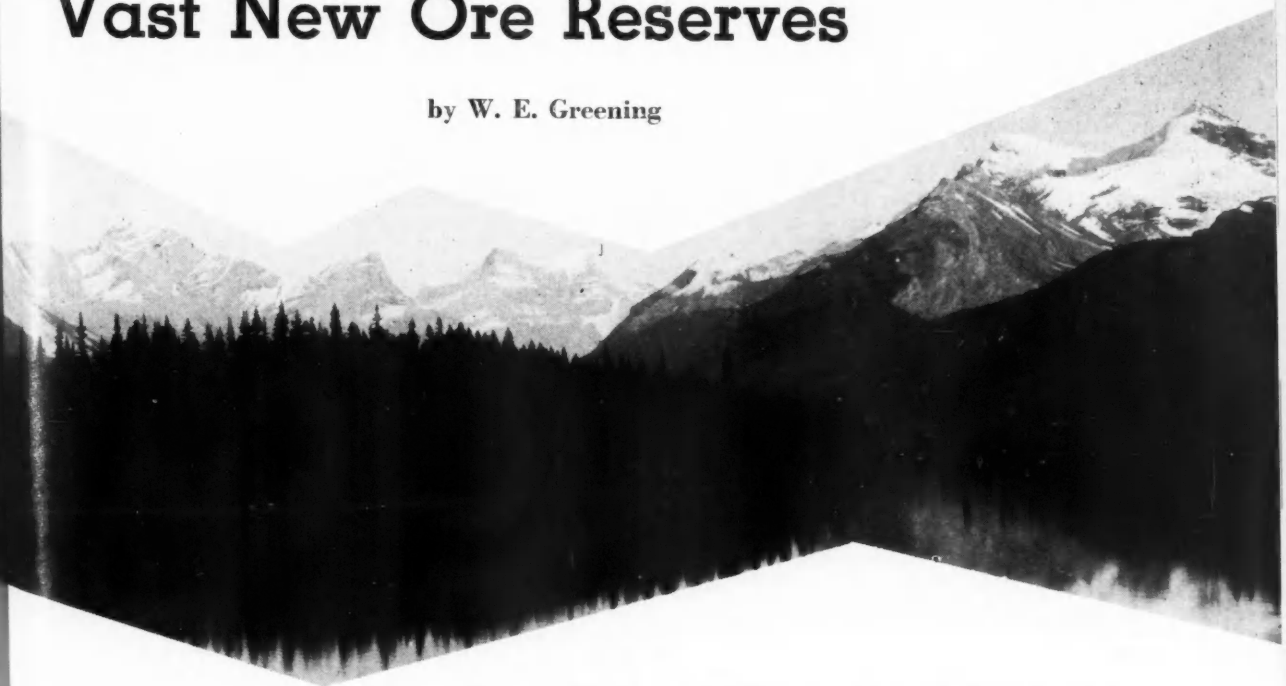
Refiners also had their difficulties, and **American Smelting & Refining** was forced to halve its quarterly dividend from 50¢ to 25¢ per share, both to conserve cash and because the future is still cloudy.

Second Quarter Earnings in Perspective

Despite the few severely depressed industries however, the real news in second quarter reports is the definite turn for the better they have taken (as shown in accompanying table). Moreover, it is not the extent of the increases in earnings that is particularly significant, but rather the direction they have taken. Three months ago only the foods, tobaccos and drugs could boast improved earnings over the previous quarter. At present some companies in almost every major industry have scored improvements, and *(Please turn to page 602)*

Canadian Wilderness Yields Vast New Ore Reserves

by W. E. Greening



—American and Canadian companies collaborating in Quebec from the Gulf of the St. Lawrence to the barren lands of Ungava and the Hudson Straits.
—Increasing tempo of development seen for Northwest Territories and other northern regions.

Editor's Note: *This feature deals with the great exploration in Northern Canada and the search for new mineral reserves—and should not be regarded as a recommendation of securities, since many of these activities are still largely in the prospecting stage.*

WITHIN the vast northern reaches of Canada lies a subcontinent of mineral wealth, still largely unexplored, but giving increasing hints of the treasures under the surface of that vast land. It is the purpose of this article to sketch some of the highlights of recent development and explorations in these areas.

Northern Quebec

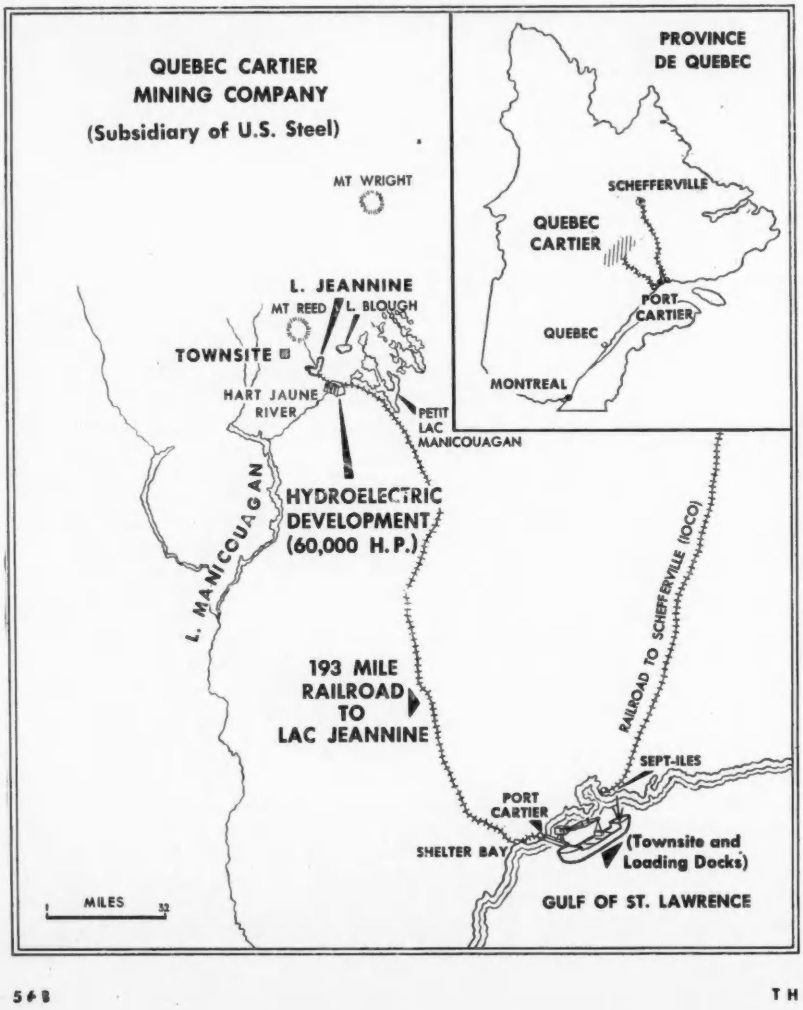
The northern region of the province of Quebec is an unpopulated wilderness of rocky mountains and plateaus and of many lakes and rivers extending northwards for several hundred miles from the north coast of the Gulf of St. Lawrence to the barren lands of the Ungava and the Hudson Straits. Until recently this whole area has been a blank spot on the map of Canada and there has been very little accurate or detailed knowledge about its resources.

During the past decade, the discovery of vast reserves of iron ore by the Iron Ore Company of Canada in the Knob Lake region about three hundred and fifty miles north of the Gulf of St. Lawrence has directed a great deal of attention to this neglected region of the Canadian North, especially in the United States where many industries are beginning to seek new reserves of low cost raw materials beyond the boundaries of their own country. Encouraged by the success of the Knob Lake project, American and Canadian mining companies and financial groups are spending millions of dollars today on geological prospecting surveys, many of them of the geophysical types using planes and helicopters throughout the whole region from the coast of the Gulf of St. Lawrence northwards to Ungava. This type of work is of course attended with great difficulties because of the remoteness of the area, the lack of roads and rail lines, the rugged nature of the terrain and the fact that the severe climate limits survey work to a few months out of the whole year. But in spite of these adverse factors, some of the finds which have already been made in many regions of Northern Quebec seem to be prom-

ising enough to justify the expenditure of the vast amounts of capital which are necessary to get mines into operation here.

During the past year, interest has become concentrated on the Mont Reed and Lake Jeannine area which is located to the south west of Knob Lake and about two hundred miles north of the Gulf of St. Lawrence. Recent surveys have indicated the presence there of very large deposits of low grade iron ore and certain American steel firms have decided to invest capital there on an extensive scale. The Quebec Cartier Mining Company—a subsidiary of the United States Steel Corporation—has obtained mineral concessions from the Quebec Government in this region and in the Mount Wright region to the north. It is estimated this Company is planning to spend over $200,000,000 for the construction of a rail line about 190 miles long from a point near Shelter Bay on the Gulf of St. Lawrence—a short distance west of the port of Seven Islands—northwards to the vicinity of Lake Jeannine in the Mont Reed area. The Company also has the intention of laying out two town sites for its employees—one called Port Cartier at the terminus of the rail line on the Gulf of St. Lawrence and the other at the mine site. A deep draught harbour with ore handling facilities will also be created at Port Cartier. The Company also intends to build an ore concentration mill at the mine which will have a productive capacity of 8,000,000 tons of high grade iron ore concentrates a year and it will also erect a 60,000 horse power hydro-electric power plant on the Hart Jaune River near Lake Jeannine. The Quebec Cobalt Corporation which is controlled by American steel companies, the Cleveland Cliffs Corporation and the Jones and Laughlin Steel Corporation have also become very interested in this same Mount Wright area. The latter has sent out prospectors who have discovered a mineral belt containing at least 1 billion tons of iron ore from which 250,000,000 tons of iron ore concentrates can be obtained. Although the Company has not yet announced its plans in connection with the working of these concessions, it is probable that mining operations will begin in the near future.

Equally important developments are also under way in the Wabush Lake district located slightly to the east of the Mount Wright and the Mont Reed area and a short distance west of the rail line linking the Knob Lake mines with the port of Seven Islands on the Gulf of St. Lawrence. Prospecting operations have revealed the existence in this region of at least one billion tons of low grade hematite and manganite ores. A group of Canadian and American firms including Pickands Mather of Cleveland, and the Steel Company of Canada have been working on plans for large scale mining operations there. As in the case of the Quebec Cartier project these include the planning of a town for the workers at the Wabush Lake mine site and a twenty-five million dollar power development on the Aux Pekans River nearby. The exact route for the transport of the ore mined here from Wabush Lake to the Gulf of St. Lawrence has not yet been decided upon but it is possible that a branch line may be built into Knob Lake either from the Seven Islands-Knob Lake line or from the projected one from Port Cartier to the Quebec Cartier properties.



New Prospecting in Severe Terrain

Equally far reaching developments have recently begun in an even more isolated and remote region of Northern Quebec about three hundred miles to the north of Knob Lake in the Ungava Peninsula. The conditions for prospecting and mining operations are even more unfavourable here than in the Mont Reed region which we have just discussed. Most of the Ungava Peninsula is north of the tree line and permafrost conditions are everywhere present. Snow covers the rocky

ground there for almost seven months of the year and the ice in the local rivers and lakes does not break up until June and the annual freeze-up begins in September.

But nevertheless there has been a great deal of prospecting activity in the Ungava Peninsula during the past two or three seasons, The Hudson Bay post of Fort Chimo on Ungava Bay has been the centre of these operations and air prospecting crews have been making intensive surveys of hundreds of square miles of surrounding wilderness. As in the case of the area further south, the results of these investigations have been so favourable as to arouse very keen interest among American, Canadian and European mining and industrial groups. These surveys have shown conclusively that very rich deposits not only of iron ore but copper and nickel are located in the rock formations of the Ungava Peninsula.

The leading figure in the opening of this Ungava region for mining operations to date has been the Cleveland industrialist —Cyrus Eaton. The Premier Iron Ore Corporation which is controlled by Eaton, and which was originally organized by him to aid the development of his properties at Steep Rock in North-western Ontario, has carried on a good deal of exploratory work in the region to the south of Ungava Bay. And Eaton has organized two subsidiary corporations—the International Iron Ore Company and the Atlantic Iron Ore Company—to work some extensive properties with a total area of about six hundred square miles which he now controls in the vicinity of Hope's Bay and the Payne river which flows into Ungava Bay. The great potentialities from this area from the mining standpoint are shown by the fact that the combined iron ore reserves in the concessions controlled by these two corporations total more than 1,000,000,000 tons of iron ore.

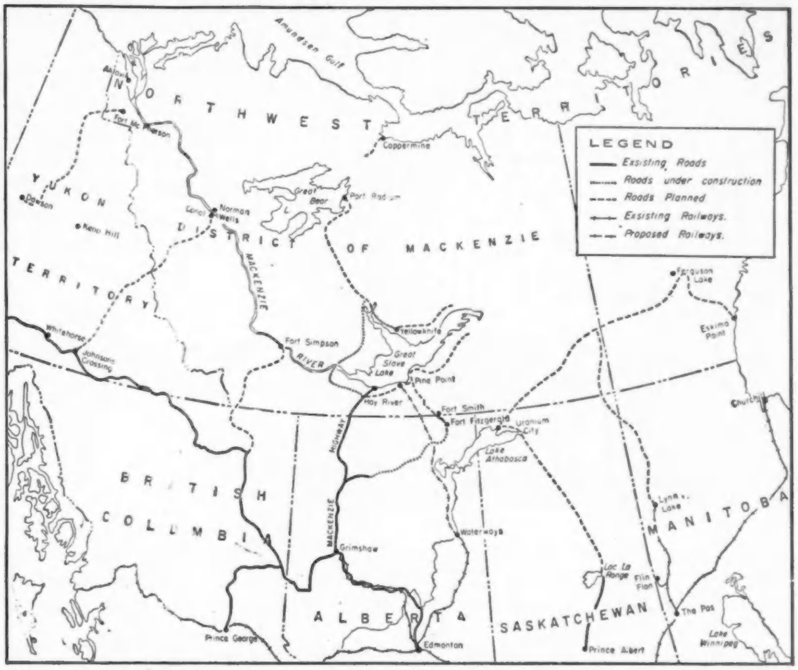
During the past two or three years, steel manufacturing interests in Western Germany including such giants as Krupp and Mannesheim have been seeking new sources of iron ore supply in regions close to the Atlantic Coast of North America and they have displayed great interest in these Ungava iron ore reserves. Alfred Krupp Jr. made a personal trip of investigation to Canada in the summer of 1957 and as a result of negotiations between himself and Eaton and the Quebec Government, his own Corporation together with five other major German steel producers have joined forces with Eaton in the financing of the latter's Ungava mining projects. These German Corporations have invested to the extent of fifty per cent in the Ungava Corporation, another Eaton subsidiary which has been formed to exploit the concessions controlled by the International and the Atlantic Iron Ore Corporations.

The Ungava Corporation plans to lay out two town sites about fifty miles apart on the shores of Ungava Bay and create a deep water port there for the shipment of the ore. It will also construct a power plant and an ore crushing plant near the mines which will produce at least four million iron pellets a year. One of the chief problems in this remote and far northern area is of course the one of transportation since the Ungava Bay is only open for navigation for about four months of the year. The Krupp Eaton group are however, considering circumventing this difficulty by obtaining an all year port on the west coast of Greenland to the east of Ungava around the waters of Davis Strait. The ore could be shipped here during the summer months to await transport to markets in Western Europe at other seasons of the year.

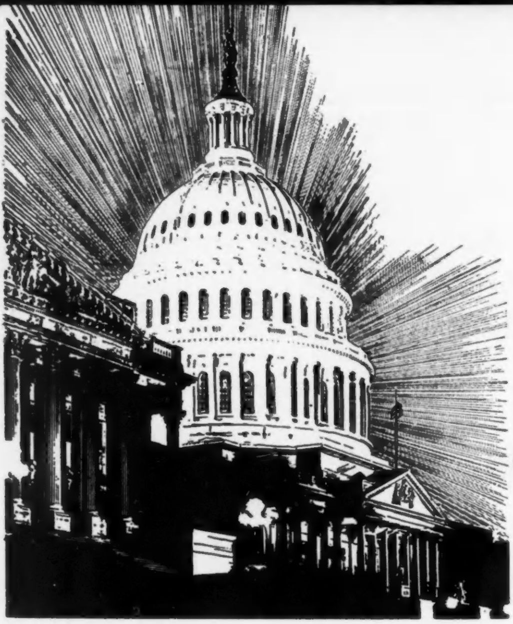
At the present time a whole string of mineral concessions extend along the shores of Ungava Bay. Slightly to the east of the Eaton holdings, the Oceanic Iron Ore Corporation which is controlled by the Rio Tinto mining interests in London has made some finds of rich iron ore reserves. In the region to the north and the west of the Eaton concessions, another mineral belt has recently been explored which runs east and west across the northern

(Please turn to page 595)

ROAD AND RAIL DEVELOPMENT PLANS FOR NORTHERN CANADA



The above map shows the extensive program of highway and railroad building under consideration by the Canadian government, which will eventually reach to the Arctic Ocean and criss-cross the Northwest Territories. The Mackensie Highway which now originates at Grimshaw, in Alberta, is to be extended to Yellowknife and should reach there by 1960. Later it will be pushed through to Great Bear Lake. Other roads are planned, crossing the Yukon, to the Mackensie River, to the asbestos mines of Cassiar, B.C. and to tap the eastern sector of the Northwest territories. The program also includes extension of the railway from the present terminal at Waterways, Alberta, to the lead-zinc deposits at Pine Point on the south shore of Great Slave Lake, and the road through Prince Albert in Saskatchewan will eventually go to Uranium City on Lake Athabasea.



Inside Washington

By "VERITAS"

INVENTORY of materiel owned by the Department of Defense—aircraft, missiles, ships, tanks, and thousands of other items — is valued at more than $100 billion according to the Pentagon, which readily admits that in dealing with such mammoth figures several millions of dollars either way wouldn't be too important. The Government is spending $7 billion annually, or about $20 million a day, on maintenance operations. There are 800,000 military and civilian personnel involved in maintenance. This does not include contract maintenance which often proves less expensive in the long run: the machinery used to make the equipment is available for renovation, replacements.

INSIDE WASHINGTON:

Few informed persons will contend that the national debt ceiling any longer is sacrosanct or that its purpose is beyond the expression of a national aspiration. A switch from the red "Stop" sign to the amber "Caution" light along the Federal business highway, has taken place.

Highly-placed fiscal experts have long regarded the ceiling only as a reminder to Congress, an ineffective one to be sure, that pay-as-you-go principles are as desirable in public affairs as they are in householding. And sometimes as impossible of achievement.

The Treasury, bound by actions taken by Congress in its appropriating function, faces a $12-billion deficit for the current fiscal year. That crowds the statutory limit, and if any extraordinary spending needs arise the figures will tumble over the top (as is suspected they have in the past without public notice).

President Eisenhower has found himself in the unenviable position of having asked for five debt limit boosts in his six years in office. But it should be remembered that Ike can't boost the figure; only Congress can. And he's still well under the $300 billion authorization Congress thought safe in World War 2.

LABOR UNIONS which have been split on whether higher Social Security payments are desirable if payroll deduction increases are to be made, are receiving word from topside to get in line behind Congressional moves to up benefits and deductions. Said AFL-CIO President George Meany in a message passed down the line: "We know that improved benefits require higher contributions. We don't believe in raiding the trust fund for an immediate advantage to those now retired, or soon to retire, as the difference would have to be made up in future years. If the Social Security System now shows an actuarial deficit the workers stand ready to cover it plus cost of new benefits."

INVESTMENTS abroad by United States business firms and individuals are being enumerated by the Office of Business Economics, Department of Commerce, which has fixed Aug. 31 as the deadline for filing data. Covered will be foreign branches, subsidiaries, or associated companies. Reporting, which is mandatory, is designed to give a complete picture of both the distribution, by size, country and industry, and the overall effects of some $25 billion of private U. S. capital invested in foreign enterprises. Reports are beginning to stack in OBE offices, indicating a cooperative response. Publication of collated data is scheduled for early next year.

ALASKA, about to become the 49th State, expects to double its wealth within 20 years and, within the next decade, show a population growth from 210,000 persons to between 3 and 5 millions. The Federal Government owns title to about 99 per cent of Alaska land—371.5 million acres. When statehood has become a fact 103.5 million acres will be ceded to the State. Capital is being lured by an 8 per cent interest top, five-year commercial loans, 10-year tax exemption for industrial plant. Anchorage reports active interest by prospective investors. Insurance companies and oil developers stand high on the list of tentative investors.

As We Go To Press

► The Middle East situation is forcing Congress to take a broader view of defense-related business. One of the movements which was shifted into high gear was the pending agreement with the European Atomic Energy Community (Euratom), which had been lazying along on committee calendars. The pact requires approval by Congress but the lawmakers had reached a stalemate with Admiral Lewis Strauss, the recently retired head of the Atomic Energy Commission. Rather than try to resolve the issues, Congress simply shelved the whole idea in the expectation it would work itself out in time. The revolt in Iraq and what followed however, focused Capitol Hill attention on the dependence much of the world has on Middle-East oil. Switch to atomic power cannot be effected overnight but increasing Arab nationalism means the oil problem is with us for a long time.

► Euratom has a goal of 1 million kilowatts of nuclear power capacity by 1961. The United States is asked to make loans of $135 million and give $50 million to a joint program of research. European capital would add $215 million. Our participation would be in line with the Atoms-for-Peace idea which originated here. It's not a case of a foreign country coming with tin cup to further its own notions. And it is a form of mutual assistance that gets away from the aura of charity which Russia is demonstrating through its aid-through-credits, is the wrong approach in too many situations. Euratom offers the additional attraction that it would be a proving ground for the several types of reactors developed here.

► If Congress fails to act by not indorsing the agreement before adjournment Euratom will not "get off the ground for one more year. It is conceivable that somebody else will come along with a more magnetic idea. Russia's system has its weaknesses and its drawbacks, but the promise of participation through credits is followed almost immediately by action. There is no Congress there, to short-circuit national policy! And Premier de Gaulle may take France out of the Community, decide to go it alone. He hasn't made public statement to that effect but his expressions on the subject hint strongly of dissatisfaction with the lack of progress being made.

► A freshman Congressman has a question he hesitates to ask publicly because, he said, the answer probably is obvious to everybody but him and he doesn't want to appear foolish. It has to do with the Middle East — as does just about every other question current in Washington. Beginning with the premise that oil is the economic life of most of the Middle East countries and in some of them is the only important export, he asks: "Assuming these countries cut the Western World off their customer list, what will they do with the oil?" That raises a series of collateral questions including the one probing how the boycotting nations hope to obtain the bare necessaries of life for their populations since it is a cinch that Russia and Nasser aren't going to buy up the surplus and the "cash crop" is hardly edible. The youthful Congressman has hesitantly asked some of his older colleagues. From the answers (or lack of them) he is becoming emboldened to ask the question publicly.

► Should the current crisis become sufficiently serious to warrant full or partial military and industrial mobilization, standby economic controls now on the books should be adequate to steer the nation's economy so as to meet military needs without seriously depriving the civilian population. That is the view of mobilization planning agencies. Production priorities and allocations have been maintained in ready form since the Korean War. They have solid legislative foundation — the Defense Production Act of 1950, as amended. This Act was extended by Congress for an additional two years under a bill signed by President Eisenhower June 28.

► The controls do not encompass the wide area that must be covered for total

mobilization, however. There is no statutory authority for economic controls of the stabilization type — wages, prices, credit. In conjunction with periodic renewals of the Defense Production Act, the White House has declined to ask for standby controls over these areas, and this title of the Act was terminated in 1953 by statutory expiration. Congressional action would be required for renewal.

► President Eisenhower's satisfaction with non-existence of standby control is not based upon excessive optimism or fear of the psychological effect upon industry or business knowing that a sweep of the pen might basically change the economy. The White House, through the Office of Defense Mobilization, has a ready program which could be effective in short order. First step would be a 90-day freeze of wages and prices. During that three-month period, individual needs could be met in the order of priority; then would come rules geared to the especial problems and requirements of business and industry. ODM has up-to-the-minute data on prices, wages, stockpiles, inventories as its working tools.

► Congress may not complete action this year on the Administration-backed bill requiring notice to the Department of Justice and Federal Trade Comission of proposed business amalgamations but the objective seems on the way to attainment through departmental action. Idea of the bill is to permit search of merger agreements to find trends toward monopoly; if any are found the Government would be in a position to move for injunction. Post facto processes frequently fail to reinstate conditions that existed before assets, customer lists, good will, and the "going business" of the absorbed firm change hands or evaporate.

► The existence of a bill requiring notification and the likelihood that Congress will enact it when it ultimately is reached on the calendar has had an effect on business mergers. In a situation arising last month, companies about to enter into an agreement came to the Department of Justice in advance and asked that the Government stipulate the conditions under which the deal might be made safe from prosecution. It was the first case of notification in advance of merger, but it isn't likely to be the last.

► The New Orleans Times-Picayune desired to purchase the competing New Orleans Item. The deal would place all three locally-published newspapers under single ownership because the prospective buyer also publishes the New Orleans State. It also owns a radio station and has an application pending for a television station. So the arrangement would place virtually all media in the area under single ownership. After the Justice Department conference it was announced: The Item will be placed on the market for 90 days at a price of $3.4 million (the amount the Times-Picayune was to pay), and if no buyer appears the deal will be sanctioned, conditioned however on the buyer disposing of its radio station and withdrawing its TV license application. The moving parties were the newspapers, not the Government.

► Thousands of firms which, because of their limited annual gross business, had been exempt from National Labor Relations Board surveillance, will be brought back within the pale under rules which the Board proposes to make operative. NLRB still doesn't agree that its time and staff should be occupied with operations so small as to be virtually interstate, but Congress is responsive to a complaint that a "no man's land" exists: labor-management cases over which no governmental unit has jurisdiction. And Capitol Hill has backed its mandate with a $1.5 million appropriation for enforcement.

► The annual inflow and outflow of goods to and from retail stores has been the factor for determining jurisdiction. Under the new rules, effective unless convincing opposition is submitted to NLRB prior to Aug. 16, the dollar figure will be greatly reduced. Owners of office buildings supplying space to covered employers and receiving $100,000 or more annual rent, would become subject to NLRB. There are rules, too, on public utilities, transit systems, newspapers and radio-television, national defense contractors and businesses which are considered links and channels of Interstate Commerce. All of the rules are tentative. The Board wil find itself caught in the switches between a demanding Congress and the business and industrial community.

RUSSIAN VISITOR—President Sukarno* greets President Voroshilov of the Soviet Union during a state visit to Indonesia last year.

Indonesia

Land Of Fabulous Wealth

—Can we overcome "hopeless" situation blocking vast opportunities?

by Roger U. Ricklefs

SHAKE pepper on your eggs tomorrow morning and you have hit the least important reason to watch Indonesia. With its 2000 islands, this 3000 mile long string of Asiatic islands produces 5% of the world's refined oil, 32% of her rubber, 19% of her tin, 26% of her copra, most of her pepper, some of her uranium and nearly all of her quinine. But her most vital product is human, the world's sixth largest population. Restless and probably reckless men with new freedom and power, these 85,000,000 have just shown the West that they may easily jolt the Asian balance of power.

Both a nation of riches and of people, Indonesia is also one of volcanoes; Sumatra alone can boast of ten. But the really dangerous number only two—economic and political—both boiling, both related, both lowering menacingly over a country still groping for stability.

Economically, Washington is somewhat worried about the new nation because she leans to the left. As Indonesia is a heavy trading island nation such as Japan and Great Britain, Wall Street keeps its statistical eyes open. Those who watch carefully like what they see:

Oil—Probably the most vital product to the West, oil fields are developing rapidly. Although there is talk of nationalization ("Indonesia for the Indonesians") eight companies still control most of the oil business. Standard Vacuum, Caltex-Pacific and Holland's BPM are the big three. The cold facts which halt nationalization at the refinery gate are these: If the Government owned the oil companies, it would be forced to buy equipment with *dollars;* as it is, the Indonesian treasury receives more than $60,000,000

Indonesia - International Reserves, Trade and Institutional Lending

(Millions of Dollars)

	Gold and For. Exch. Holdings	Exports	Trade Imports	Balance	Loans disbursed by— Exim Bank*	ICA	IMF
1951	511	1,292	873	+419	....	17	....
1952	314	934	948	− 14	31	....	....
1953	212	840	765	+ 75	13	....	....
1954	248	867	629	+238	19	....	15
1955	307	932	604	+328	4	....	....
1956	254	882	856	+ 26	10	....	55
1957	224	911	797	+114	....	....	....

*Export—Import Bank—dates of disbursement partly estimated.

Trade In Principal Commodities, 1955-56

(Millions of Dollars)

COMMODITY	Quantity (metric tons, except as indicated) 1955	1956	Value (thousands of dollars) 1955	1956
IMPORTS TOTAL	......	......	604,187	853,115
Rice, not in the husk	126,800	763,175	21,631	112,343
Wheat flour	119,968	196,887	11,884	19,573
Tobacco leaf	8,743	16,314	7,777	12,644
Chemical elements and compounds	88,196	54,405	16,097	10,762
Pharmaceutical products	1,056	1,701	4,411	6,620
Fertilizers	147,588	183,809	10,176	13,394
Chemical products and preparations	36,399	36,247	18,305	19,676
Paper, paperboard, and manufactures	90,979	108,499	25,387	22,800
Weaving yarns of staple fibers	:3,135	10,498	14,951	10,408
Cotton weaving yarns	17,957	20,465	25,931	26,084
Cotton fabrics of standard type	53,284	60,987	91,838	100,711
Petroleum, crude ....million liters	1,513	3,036	20,681	42,445
Fuels, lubricants	225,194	275,541	15,340	17,288
Cement	352,287	396,087	10,065	11,339
Iron and steel bars	78,025	60,892	10,042	9,209
Iron and steel sheets and plates	95,386	110,465	19,346	24,210
Nonferrous base metals and alloys	8,741	6,334	6,305	4,821
Iron and steel manfactures	64,060	58,356	21,917	24,585
Base metals, ores and manufactures,	26,184	29,732	10,151	13,685
Nonelectrical machinery, apparatus, and parts	21,669	44,652	27,761	47,912
Telegraph, telephone, radio, and television apparatus	1,321	1,445	4,752	4,935
Electrical machinery, apparatus, and equip.	13,160	15,567	9,098	14,200
Motorcars ....Number	5,460	3,826	8,405	6,105
Motorbuses and trucks..........do	2,392	6,822	5,591	13,755
Cycles, not motorized, and parts, except electric	15,394	11,857	10,700	9,422
Other merchandise	......	......	58,063	55,288
EXPORTS, TOTAL				
Tapioca roots, dried, coarsely ground	170,752	15,640	5,186	520
Sugar	176,309	168,946	18,384	16,796
Coffee, shelled, green	23,651	58,596	15,958	30,058
Tea	32,710	38,768	31,135	29,531
Pepper	13,736	19,430	10,447	8,939
Copra oilcakes	157,429	136,081	7,010	6,241
Tobacco, leaf	12,999	11,546	27,364	28,640
Copra	236,528	262,382	35,328	38,766
Palm kernels	38,933	40,178	4,547	4,786
Palm oil	116,528	125,213	22,246	25,585
Rubber, crude, in sheets, slabs, and balls	738,828	678,823	429,913	354,500
Agave fiber	33,534	32,387	5,887	5,766
Petroleum, crude..........million liters	3,580	5,220	42,447	63,264
Gasoline ....million liters	2,345	2,039	62,588	54,662
Kerosene ....1,000 liters	624,998	526,275	14,891	12,681
Diesel, solar, and similar motor oils ....million liters	1,838	1,680	36,896	35,390
Fuel oils, other..........million liters	2,512	2,654	38,611	43,510
Paraffin	78,468	62,809	11,207	9,632
Tin ore, slag, and ash	45,386	44,393	59,488	61,987
Scrap iron	47,526	80,284	1,633	3,505
Rattan	30,216	29,942	3,538	3,130
Other merchandise	......	......	46,711	44,101

a year in *dollars*—and saves the headaches.

Rubber—Only unstable Malaya produces more.

Tin—Only Malaya and Bolivia produce more. Bolivia averages about one revolution per year; consequently her production is undependable.

Coal—Thanks to poor administration and lack of technicians, deposits have been only scratched. Economists consider this field as probably a good opportunity.

Drugs—The world depends upon Indonesia for virtually all of its quinine and most of its cocaine.

Copra—Used in soap and margarine and also a high-protein food. Indonesia exports about 26% of the world's copra; the United States imports 30%.

Agriculture — With 75% on farms (annual income: $40 per capita) Indonesia is still a farming nation. Although Sumatra alone is bigger than all Japan, only 5.8% of all Indonesian land is arable. Of the rest, 63% is meadow and pasture and about 25% is waste. Despite huge timber reserves on the meadow and pasture lands, poor export facilities keep production to a trickle. There's probably a fortune for somebody who can untangle the red tape and who knows efficient shipping procedures.

Despite her leftist leanings, Indonesia has no objection to shipping to our allies: about 24% of her product goes to Malaya and Singapore, 19% to the Netherlands and 16% to the United States.

Labor and Economics

While Indonesia's natural resources are large, the manpower to work the mines and farms is huge. But despite the wealth around them which waits to be developed, millions of workers prefer to retain outdated methods and to move slowly. A vivid illustration is the Dutch pottery company which manufactures in both the islands and in The Netherlands. Using *identical machines*, the Dutch workers each turn out 2600 saucers a day; the Indonesians—150! Says one textile mill operator, "They (the workers) expect the government to lay a golden egg which hatches their housing, food, and guaranteed wages with no effort on their

part." While many feel that what Indonesia needs most is ulcers, there is both pessimism and opportunity. As an example of what is being done to develop a more competent working force, education in Western ways has grown as fast as a tropical Indonesian plant. Twenty years ago, only 8% were literate; now 55% can read.

While the labor picture leaves much hope, economic matters leave much to be desired. The monetary unit, the *rupiah* is extremely unstable. The gold and foreign exchange deposits at the Bank of Indonesia often fall below the legal 20% of the paper money; in July, 1957, it was down to 12%. Despite the disadvantages of this situation, instability definitely does enhance the American dollar's good looks.

Designs being made on batik cambric cloth with colored wax.

With the shaky currency has come inflation; the cost of living is up 96% from 1953, 36% from November, 1957.

Some of the blame for this economic situation goes to the ridiculously poor shipping facilities. The only major airline, *Garuda*, operates at about 50% of "normal." The shipping company KPM is nearly shut down.

Thus conditions are often so bad that the industrious person can find countless opportunities for improvement and profit. As two examples of success, Goodyear is expanding with a $43,000,000 tire plant and rubber plantation system. Stanvac has $80,000,000 worth of confidence in Indonesian oil's expansion prospects. Besides its exports, the Goodyear Company supplies Indonesia with 60% of her tires; she saves the native government $20,000,000 a year on imports, thus enhancing her welcome.

But despite the obvious advantages of western help, the Indonesians often resist it. The reasons for this form of intense nationalism are easy to see. Before Independence, for example, about 25% of the Javanese worked on estates, usually under the white man. Yet the Netherlands was a far-off land only one thirtieth the size of Sumatra. Although color barriers are probably lower than in most Asian nations, mobs still chant:

> If the Dutch don't eat,
> The Dutch will die;
> If the Dutch all die,
> Then there'll be peace!

Nevertheless, many leading Indonesians now realize that they need the 50,000 Dutchmen on their islands, their brothers back home, and their cousins in the New World. Though small in number the Dutch control banks, insurance companies, the rubber and tea industries and 70% of the inter-island shipping. Many enterprises controlled by the Government have floundered. In Government-controlled harbors of Djakarta, about $2,000,000 worth of unloaded cargo rots and corrodes in the weather from red tape. Salt is a nationalized industry; its production has varied 500% in three years.

Sukarno has said: "I don't get it. The Dutch have given us the main building, but they still cling to the garage." Yet this "garage" may very well shelter the vehicle of progress for a free and healthy Indonesia—western know-how and cash.

Political Atmosphere

Among those who know a healthy Indonesia's importance are the Communists. Their interests are many. Geographically, Indonesia stretches 3000

(Please turn to page 600)

People weeding and fishing in the flooded sawahs (rice fields).

What Pick-Up in CONSTRUCTION means to individual Building Companies

By H. F. Travis

PROBABLY in no other single industry have anti-recession remedies had a more heartening effect than in construction. This observation finds support in the disclosure that contract awards reported for June registered the highest total for any month on record. The volume soared to a total of $3.8 billion for the month, or 18 per cent above June last year, according to the F. W. Dodge Corporation compilation. This evidence of renewed confidence in a need for home, office building and essential public works provides a reassuring prospect for the general economy, which is significantly affected by changes in construction activity.

The cheerful turn for the better eases concern over depressing influences manifested earlier in the year, when a sharp curtailment in plant construction reduced demand for many types of supplies, especially structural steel, cement and machinery components. The fact that total contract awards for the first six months of 1958 at $16.8 billion came within about 1 percent of the total for the first half of 1957 indicates the extent to which a recovery in residential work and in government projects counteracted a slackening in commercial building, which suffered from the recession. Industrial building dropped 67 per cent in June and showed a decline of 44 per cent for the first six months. The commercial segment also fell, but not so precipitately.

Government agencies appear likely to continue their aggressive measures aimed at bolstering the economy. New legislation has been effective in encouraging more active demand for housing, and Federal Reserve Board monetary policies have brought out abundant funds for mortgages. Sales of homes have spurted in recent weeks as funds have become available for financing purchases on reasonable terms.

Probably more important from an overall viewpoint has been the refreshing effect of credit ease on public work programs. Whereas high borrowing costs had blocked construction of schools, hospitals, etc., in 1957, because municipalities and school districts were handicapped in obtaining funds within

Position of Leading Building Stocks

	1st 6 Months 1957 —(Millions)—	1st 6 Months 1958 —(Millions)—	Net Profit Margin 1957 %	Net Profit Margin 1958 %	Net Per Share 1957	Net Per Share 1958	Full Year Earned Per Share 1956	Full Year Earned Per Share 1957	Dividend Per Share 1957	Dividend Per Share Ind. 1958*	Price Range 1957-1958	Recent Price	Div. Yield %
ALPHA PORT. CEMENT W.C. (mil.) '56—$ 8.4 W.C. (mil.) '57—$ 10.6	$ 15.8	$ 13.1	22.1%	9.5%	$1.63	$ .86	$3.75	$2.90	$1.50	$1.50	39 -23½	35¾	4.2%
AMERICAN RADIATOR W.C. (mil.) '56—$116.0 W.C. (mil.) '57—$112.0	183.3	163.6	2.9	2.3	.45	.30	1.65	1.05	1.10	.40	18⅛-10¼	13¼	3.0
ARMSTRONG CORK W.C. (mil.) '56—$ 46.3 W.C. (mil.) '57—$ 44.6	60.9[4]	57.9[4]	4.8[4]	4.7[4]	.55[4]	.50[4]	2.56	2.10	1.30	1.20	30 -20¼	28	4.3
BESTWALL GYPSUM W.C. (mil.) '56—$ 4.6 W.C. (mil.) '57—$ 4.9	14.0	15.3	9.3	10.5	1.87	2.19	5.22	4.17	[2]	[2]	61¾-30¼	61	—
CELOTEX W.C. (mil.) '56—$ 28.4 W.C. (mil.) '57—$ 24.1	30.7[1]	28.4[1]	5.2	1.3	1.67[1]	.25[1]	6.43	3.53	2.40	2.40	38¼-23¼	31	7.7
CERTAINTEED PROD. W.C. (mil.) '56—$ 22.4 W.C. (mil.) '57—$ 22.6	38.8	39.4	2.1	.5	.37	.12	1.13	1.12	.70	.60	11⅝- 8	10½	5.7
CONGOLEUM-NAIRN W.C. (mil.) '56—$ 26.6 W.C. (mil.) '57—$ 21.0	27.2	22.2	.1	d6.3	.12	d1.13	.59	d .58	.40	—	17 - 6⅝	12½	—
CRANE CO. W.C. (mil.) '56—$121.2 W.C. (mil.) '57—$130.1	88.4[4]	75.6[4]	1.5[4]	0.8[4]	0.48[4]	.21[4]	4.40	3.47	2.00	.80	36¾- 22	30	2.7
FLINTKOTE W.C. (mil.) '56—$ 21.7 W.C. (mil.) '57—$ 24.7	56.1	53.9	5.0	2.8	1.51	.68	3.88	3.64	2.40[3]	2.40	46½-34⅛	44½	5.4
GEN. PORTLAND CEMENT WC. (mli.) '56—$ 5.8 W.C. (mil.) '57—$ 11.7	20.9	20.8	19.6	19.3	1.97	1.95	4.58	3.36	2.30	2.30	72½-47⅝	72	3.2
HOLLAND FURNACE W.C. (mil.) '56—$ 12.6 W.C. (mil.) '57—$ 10.3	13.3	13.8	d2.3	d0.6	d	d	.56	.71	.60	.60	16⅛- 9	11½	5.2
JOHNS-MANVILLE W.C. (mil.) '56—$ 41.1 W.C. (mil.) '57—$ 41.8	148.0	138.2	5.8	5.7	1.20	1.12	3.50	2.48	2.00	2.00	52¼-34¼	43½	4.6
LEHIGH PORTLAND CEMENT W.C. (mil.) '56—$ 10.7 W.C. (mil.) '57—$ 18.9	33.9	32.8	15.3	11.0	1.38	0.86	2.82	1.70	1.00	1.00	45¾-26½	36	2.8

W.C.—Working capital.
d—Deficit.
[1]—6 months ended April 30.
[2]—Paid 3% stock.
[3]—Plus stock.
[4]—First quarter.
*—Indicated dividend rate.

Alpha Portland Cement: Despite disappointing early months, indications point to earnings this year approaching 1958 strike-depressed results and highway work favors second half gains. Regular dividend at $1.50 a year seems secure. (B-2)

American Radiator: Rebound in residential construction promises to boost sales in second half, but rising costs still handicap profit margins and net income runs well below 1957. Reduced dividend should be maintained. (C-3)

Armstrong Cork: Revival in new housing should counteract downtrend in sales experienced early in year. Competition keen in floor covering. Better fourth quarter may make satisfactory earnings comparison with last year. (B-2)

Bestwall Gypsum: Moderate improvement in earnings regarded as possible in reflecting pickup in building activity, but need for funds to finance expansion program may delay initiation of cash dividends for a time. (C-1)

Celotex: Vigorous competition in roofing materials and unsatisfactory profit margins in wallboard contributng to adverse comparison in earnings. Maintenance of reduced dividend encouraged by better outlook recently. (B-3)

Certain-Teed Products: Recovery in housing activity and moderate advance in roofing materials three months ago encouraged prospect of more satisfactory earnings trend in second half, but outlook for customary dividend seems dubious. (C-2)

Congoleum-Nairn: Continued unsatisfactory results experienced in June quarter, accentuated by sharply reduced sales and narrower margins, raise doubt over 1958 prospects. Recurrent merger reports account for stock interest. (C-3)

Crane Co.: Curtailment of industrial capital expansion program having depressing effect on valve business, but outlook for plumbing improving. Need for stream-lining of operations indicated. Lower dividend seems secure. (B-3)

Flinkote: Hope of gradual improvement in price structure of building supplies and adoption of operating economies help prospect for 1958 earnings approaching 1957 results. Narrow safety margin for dividend. (B-2)

General Portland Cement: Rebound in sales and earnings in June quarter points to continued uptrend and favorable comparison with 1957 results. Outlook for another year-end extra dividend seems reasonably good. (A-1)

Holland Furnace: Indications of moderate rise in replacement furnace sales regarded as encouraging. Institution of operating economies in consolidation of offices likely to improve earnings outlook. (B-1)

Johns-Manville: Upturn in June quarter earnings and signs of expansion in modernization work expected to sustain earnings near 1957 figures. Improved outlook for residential building may warrant dividend retention. (A-2)

Lehigh Portland Cement: Despite threat of competition from abroad, prospects for sales have brightened as result of increase in highway construction awards. Maintenance of conservative dividend policy indicated. (A-2)

RATINGS: A—Best grade. B—Good grade. C—Speculative. D—Unattractive. 1—Improved earnings trend. 2—Sustained earnings trend. 3—Lower earnings trend.

limits prescribed by local regulations, the downtrend in interest rates this year has made possible flotation of numerous bond issues providing capital for public works. In addition, states and counties have found the money market attractive for raising funds with which to finance highway work. The upsurge in road construction is a bright spot in the current picture industry wise.

If this summarization of prospects for manufacturers of building supplies sounds too enthusiastic, one should not forget the economic lesson that gross volume does not necessarily indicate the possible extent of profits. Thus while the outlook has improved immensely in the last twelve months, it is doubtful whether representative manufacturers in this broad grouping are looking forward to a boom. In fact, earnings potentialities still are unsatisfactory in most sections of the building category. Excessve capacity has dictated a policy of holding down selling prices on essential raw materials notwithstanding wage increases. This situation is especially evident in cement making as well as in plumbing-and-heating and also among suppliers of roofing in many areas.

Generally speaking, manufacturers of supplies are encouraged over prospects on the assumption that keen price competition will encourage expansion of building activities and bring about natural adjustments that eventually will permit establishment of reasonable margins. In view of legislative programs under consideration in Congress calling for assistance of various kinds in stimulating greater demand for new homes, it seems possible that increased volume may contribute to more satisfactory margins in another year or two. As a matter of fact, population trends suggest that demand for residential facilities should rise sharply in the early 1960's.

To gain a better perspective of the many facets of construction activities it may be well to consider the importance of such categories as highway building, residential construction and public works of various kinds. One may gain a better idea in this way of the outlook for manufacturers of different kinds of materials. Thereafter, it would be worthwhile to take a closer look at recent trends in such segments of the industry as cement, wallboard, paint, plumbing-and-heating, lumber and other essentials. Although electrical needs, steel for bridges, culverts, etc., and similar supplies are important in construction, and sales are influenced to some extent by underlying trends in building trades, these groups are reviewed elsewhere. Observations are limited primarily to suppliers of traditional building materials. Brief company comments are included in the tabulations of statistical information.

Taking a quick look first at non-farm residential construction, one notes an impressive recovery from the setback experienced in the last two years. The turnabout may be attributed primarily to the vigorous reversal in money rates and to relaxation in government regulations governing down payments and other provisions for financing new homes. Housing starts registered an encouraging rise in the first six months this year and on basis of current projections are expected to approximate 1.1 million in 1958. This total would compare with about 990,000 last year and with about 1.9 million in 1956.

The Housing Picture

Although credit conditions have constituted a major stimulant, other factors have proved significant in sustaining demand for housing. Personal income has remained within striking distance of the peak recorded a year ago this month. Hence, despite repossessions of new homes in scattered areas of widespread unemployment, the vast majority of new purchasers since 1955 have been able to keep up payments satisfactorily. In addition, a steady rise in pension payments in recent years has accounted in large measure for creation of a better housing market, inasmuch as elderly couples who might otherwise have been compelled to "live with" married children now are able to maintain their own domiciles.

In support of the theory that the rapid expansion in the number of "senior citizens" represents an important factor in home construction, one may note the development of numerous housing projects in Florida designed especially to attract couples dependent chiefly on pension payments. In addition, the recent trend toward large families—of four to eight children—has necessitated either enlargement of homes or construction of larger domiciles. Many couples have discovered that the most satisfactory solution of the over-crowding problem is to build a new residence. This situation has led to agitation in Congress for legislation encouraging "trading in" of older homes for new ones.

Although no sensational rise in housing starts is anticipated within the next couple of years at least, indications point to maintenance of construction at 1 million units or more annually. Family formations are calculated to occur at a rate of about 700,000 annually and probably 300,000 new homes may be needed each year to replace those abandoned or destroyed by the elements.

Highway Program

After a couple of years of disappointment, road construction appears destined to make significant strides this year. More time has been required in engineering and in negotiating for land than had been anticipated. In recent months the government-sponsored highway program appears to have gained headway. June construction contracts awarded for the interstate highway system approximated $195 million, or almost double the total of $105 million for May. Indications are that July awards registered another substantial advance. Acceleration of contract awards has been due in part to recent legislation liberalizing government aid through a special $400 million fund. Interstate highway projects under way at the end of June had mounted to an estimated $1,740 million covering 3,167 miles. On lesser roads, construction in progress involved 23,330 miles costing an estimated $2,220 million.

With the impetus of aditional funds, the nation's highway programs are expected to reach a total of between $5.4 billion and $5.5 billion, against about $4.8 billion in 1957, $4.5 billion in 1956 and $4.1 billion in 1955. It may be inferred from this steady uptrend that road construction has contributed importantly to demand for cement and other raw materials in the building *(Continued on page 600)*

Position of Leading Building Stocks (Continued)

	Net Sales 1957 —(Millions)—	Net Sales 1958 —(Millions)—	1st 6 Months Net Profit Margin 1957 %	1st 6 Months Net Profit Margin 1958 %	Full Year Net Per Share 1957	Net Per Share 1958	Earned Per Share 1956	Earned Per Share 1957	Dividend Per Share 1957	Dividend Per Share Ind. 1958*	Price Range 1957-1958	Recent Price	Div. Yield %
LONE STAR CEMENT W.C. (mil.) '56—$ 13.4 W.C. (mil.) '57—$ 15.0	$19.6[5]	$17.7[5]	18.0[5]	10.5[5]	$ .49[5]	$ .26[5]	$2.60	$2.03	$1.10	$1.10	40⅛-25¼	35½	3.1
MARQUETTE CEMENT MFG. W.C. (mil.) '56—$ 7.9 W.C. (mil.) '57—$ 8.6	18.9	21.9	13.8	13.5	.96	1.29	2.74	2.71	1.40	1.40	45 -25	44¼	3.2
MASONITE W.C. (mil.) '56—$ 15.2 W.C. (mil.) '57—$ 17.5	42.4[1]	43.6[1]	7.5[1]	7.7[1]	2.28[1]	1.93[1]	4.98	3.50	1.20[4]	1.20	35¼- 23¼	33	3.6
NATIONAL GYPSUM W.C. (mil.) '56—$ 38.5 W.C. (mil.) '57—$ 40.5	69.3	67.8	8.9	8.0	1.57	1.34	3.61	3.16	2.00[4]	2.00[4]	52⅛- 35⅛	51½	3.9
OTIS ELEVATOR W.C. (mil.) '56—$ 49.4 W.C. (mil.) '57—$ 53.4	N.A.	N.A.	N.A.	N.A.	.83	.92	3.10	3.58	2.00	2.00	56 - 38¾	54	3.7
PENN-DIXIE CEMENT W.C. (mil.) '57—$12.3 W.C. (mil.) '57—$ 12.1	17.3	19.6	11.7	14.8	.73	1.04	3.73	2.14	1.20	1.20	40½- 21	33	3.6
PITTSBURGH PLATE GLASS W.C. (mil. '56—$147.2 W.C. (mil.) '57—$134.8	311.1	249.6	9.4	5.1	2.95	1.29	5.62	5.86	2.75	2.75	85¾- 64	76½	3.6
PRATT & LAMBERT W.C (mil.) '56—$ 6.9 W.C. (mil.) '57—$ 7.4	10.9	N.A.	5.7	N.A.	2.86	N.A.	6.07	5.24	3.25	3.25	63 - 48	57	5.7
RUBEROID CO. W.C. (mil.) '56—$ 23.0 W.C. (mil.) '56—$ 23.0	37.2	36.4	5.1	3.3	1.29	.83	2.90	3.25	2.10	2.10	37⅜- 28	36	5.8
SHERWIN-WMS. CO. W.C. (mil.) '56—$ 80.9 W.C. (mil.) '57—$ 87.1	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	10.49[2]	11.38[2]	5.12½	5.50	174¾-109⅛	174¾	3.1
U.S. GYPSUM W.C. (mil.) '56—$ 83.0 W.C. (mil.) '57—$ 98.5	120.5	122.6	15.6	14.1	2.32	2.13	5.01	4.78	2.75	3.00	86½- 51¼	83½	3.6
U.S. PLYWOOD W.C. (mil.) '56—$ 59.5 W.C. (mil.) '57—$ 72.1	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	3.24[3]	2.47[3]	2.00	1.50	36⅛- 24⅜	35	4.3
YALE & TOWNE MFG. W.C. (mil.) '56—$ 51.7 W.C. (mil.) '57—$ 59.9	32.5[5]	29.8[5]	4.6[5]	4.7[5]	.70[5]	.63[5]	2.79	2.11	1.50	1.50	34⅝- 23⅛	28	5.4

W.C.—Working capiltal.
N.A.—Not available.
1—9 months ended May 31
2—Years ended August 31.
3—Years ended April 30, 1957 & 1958.
4—Plus stock.
5—First quarter.
*—Indicated dividend rate.

Lone Star Cement: Encouraging gain in shipments in June quarter holds promise of more satisfactory second half results, and suggests full year's net profit may top 1957 showing. Modest dividend payout seems secure. (A-1)

Marquette Cement: Expanding markets and low cost water transportation should moderately increase sales and earnings this year. (B-1)

Masonite: With recent upturn in sales, indications point to larger volume for 1958 than last year and earnings approaching 1957 total of $3.50 a share, affording adequate coverage for modest $1.20 dividend rate. (B2)

National Gypsum: Proposal for acquisition of American Encaustic Tiling paves way for further diversification of activities and for enlargement of sales. Net profit this year may closely approach $3.16 a share of 1957. (B-2)

Otis Elevator: High rate of office construction and continued expansion in modernization of old structures account for progress in earnings. Moderate gain in 1958 earnings projected. Regular $2 dividends rate seems secure. (A-1)

Penn-Dixie Cement: Enlargement of highway construction program should absorb increased output and help maintain firm price structure. More satisfactory margins indicated in second half. Regular $1.20 dividend secure. (B-2)

Pittsburgh Plate Glass: Slackening in sales to automotive industry and increased depreciation charges contribute to lower earnings trend, but strong financial position expected to hold dividend payout at 1957 rate. (A-3)

Pratt & Lambert: Strong demand for household paint, attributed to growth in "do-it-yourself" programs, helping to sustain sales and earnings. Moderate drop in industrial paint sales suggests slightly lower earnings in 1958. (B-3)

Ruberoid: Although pickup in residential construction is favorable development, suggesting firmer price tendencies in supplies, lower earnings experienced in first six months likely to handicap results for full year. (B-3)

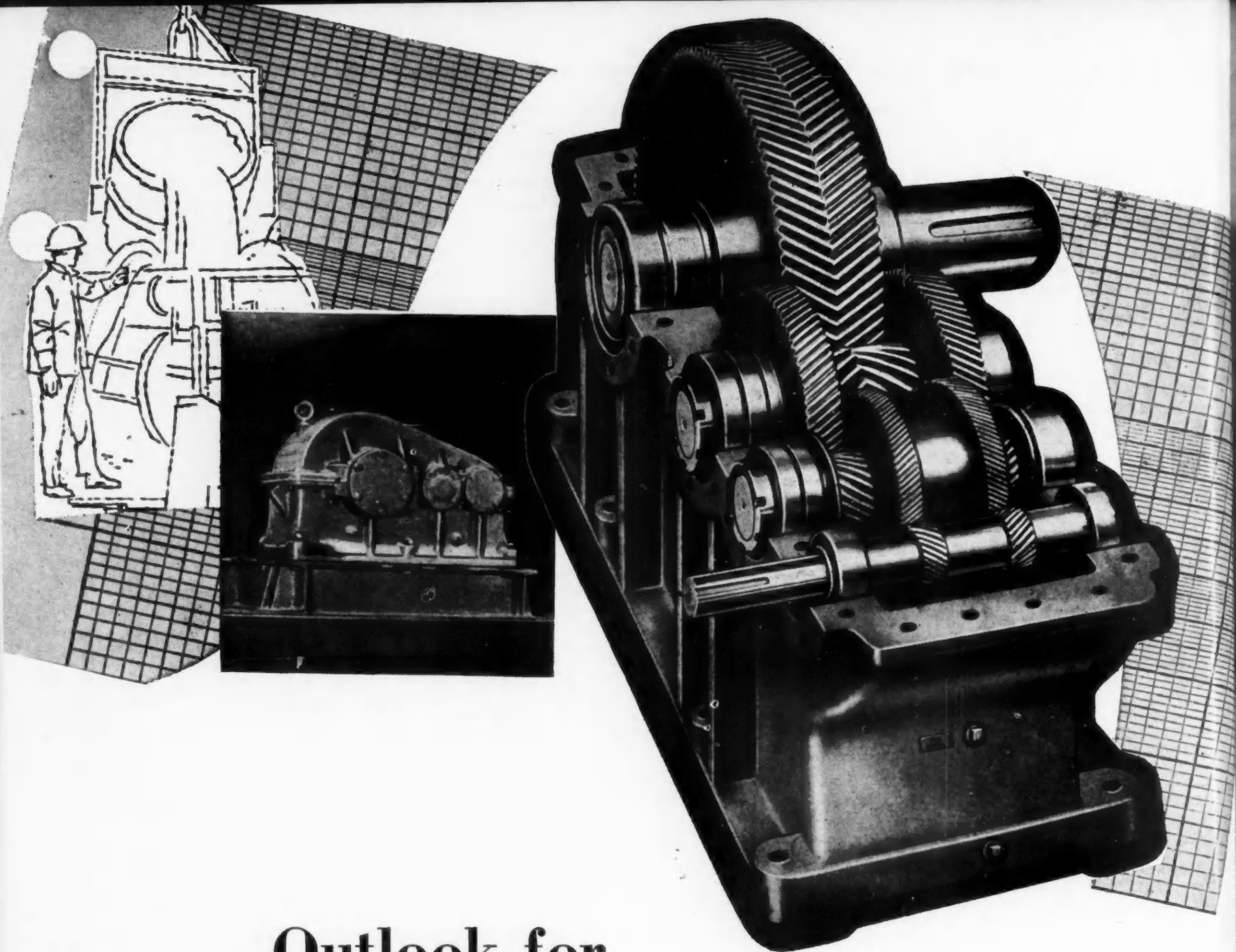
Sherwin-Williams: Good demand for paint in retail channels expected to sustain sales and earnings for fiscal year ending this month. Approval of usual extra dividend reflects confidence. Good growth equity. (A-2)

U. S. Gypsum: Better-than-average sales in wallboard and encouraging outlook for 1959 account for optimistic projections. Earnings for 1958 expected to compare favorably with last year. Encouraging outlook for higher dividend. (A-2)

U. S. Plywood: Vigorous price-cutting in plywood imposed handicap on margins for year ended in April, but prospects are regarded as reassuring for current fiscal period. Aggressive management holds promise for future. (B-3)

Yale & Towne: Slackening in industrial output finds reflection in reduced demand for materials handling equipment, which has become important segment of company's volume. Rebound in hardware would help outlook for usual dividends. (B-3)

RATINGS: A—Best grade.
B—Good grade.
C—Speculative.
D—Unattractive.
1—Improved earnings trend.
2—Sustained earnings trend.
3—Lower earnings trend.



Outlook for MACHINERY AND MACHINE TOOLS

By George W. Mathis

ONE must always use the greatest of care in making analaytical generalizations about the prospects of the companies which make machinery and machine tools for the automobile, steel, mining, aircraft, utility and other leading industries of all types. At the very beginning it is essential to point out that few industries of significance are so unstable in their own operations. But of equal significance is the fact that the principal customers of the tool-makers are other industries, and the incoming orders they report reflect the production plans of these industries.

Consequently, rising or falling activity in the operations of various branches of the machinery and machine tool manufacturers has always been considered one of the most reliable clues to the general business outlook. But few industries are so diverse in their make up, and investors are cautioned that what may be viewed as encouraging prospects in one segment of the industry may be of little if any significance in another branch of the industry. Manufacturers of mining tools cannot switch over to the manufacture of aircraft tools for example, nor can builders of steel rolling mills very well take on a contract for a major utility generating station. Making a mark in this industry requires engineering skill of the highest order, and the best way to attain this is to specialize in a given area.

Keeping these limitations in mind it becomes practical to review what data of a general nature are available, and to supplement this with other developments affecting different parts of the industry which are already on hand or in near term prospect.

One of the most important guides to prospects for the machinery and machine tool companies is indicated expenditures on new plant and equipment as reported quarterly to the Federal Government by businesses of all types. The latest figures available from this source, as gathered from business firms in late April and May showed that planned expenditures for new plant and equipment in 1958

Leading Machinery Manufacturing Companies

	Net Sales 1957	Net Sales 1958	1st 6 Months Net Profit Margin 1957 %	1st 6 Months Net Profit Margin 1958 %	Full Year Net Per Share 1957	Full Year Net Per Share 1958	Earned Per Share 1956	Earned Per Share 1957	Dividend Per Share 1957	Dividend Per Share Ind. 1958*	Price Range 1957-58	Recent Price	Div. Yield
	—(Millions)—												
AMER. MACH. & FDRY. .... W.C. (mil.) '56—$62.2 W.C. (mil.) '57—$94.7	$ 59.0[4]	$51.4[4]	5.9[4]%	5.4[4]%	$1.06[4]	$0.82[4]	$3.03	$3.51	$1.30	$1.60	43¾—29⅛	37¾	4.2%
BLAW-KNOX .... W.C. (mil.) '56—$85.5 W.C. (mil.) '57—$42.0	89.0	89.0	4.2	3.7	2.11	1.90	4.16	3.99	1.20[1]	1.20	43⅞—21¼	33	3.6
BUCYRUS-ERIE .... W.C. (mil.) '56—$44.7 W.C. (mil.) '57—$34.6	24.8[4]	11.2[4]	6.9[4]	d5.8[4]	.92[4]	d.35[4]	3.64	2.77	2.00	1.00	52¾—24	32	3.1
BUFFALO FORGE .... W.C. (mil.) '56—$ 9.9 W.C. (mil.) '57—$10.4	16.0[2]	14.9[2]	5.6[2]	4.0[2]	1.33[2]	0.98[2]	3.07	3.24	2.00	2.00	34⅜—25⅛	30	6.7
CLARK EQUIPMENT .... W.C. (mil.) '56—$39.7 W.C. (mil.) '57—$49.3	74.0	64.6	5.8	4.2	1.87	1.11	4.11	3.57	2.25	2.25	67½—33	49	4.6
COOPER—BESSEMER .... W.C. (mil.) '56—$17.8 W.C. (mil.) '57—$20.9	36.9	27.1	7.6	5.5	2.15	1.17	3.71	4.10	1.51	1.60	39¾—17⅛	27¼	5.9
FAIRBANKS MORSE .... W.C. (mil.) '56—$40.0 W.C. (mil.) '57—$40.2	65.2	44.6	2.1	.1	1.35	0.02	2.81	2.43	1.65	1.40	65 —37⅜	39	3.6
FOSTER-WHEELER .... W.C. (mil.) '56—$21.2 W.C. (mil.) '57—$18.9	75.4	94.4	1.5	1.9	1.84	2.98	2.31	d1.39	1.60	—	67¾—25⅛	36¾	—
GARDNER-DENVER CO. .... W.C. (mil.) '56—$33.9 W.C. (mil.) '57—$40.8	35.3	27.8	11.3	7.9	2.20	1.20	4.05	4.41	1.72	2.00	46⅞—31½	42½	4.7
JOY MFG. .... W.C. (mil.) '56—$48.3 W.C. (mil.) '57—$48.3	100.1[3]	66.7[3]	9.1[3]	3.9[3]	5.10[3]	1.47[3]	6.10	6.30	3.00	3.00	76¾—35⅛	43½	6.9
LINK BELT .... W.C. (mil.) '56—$54.7 W.C. (mil.) '57—$54.0	N.A.	N.A.	N.A.	N.A.	2.91	1.46	5.95	5.41	3.20	3.20	72¾—46⅛	55½	5.8
MESTA MACHINE .... W.C. (mil.) '56—$18.2 W.C. (mil.) '57—$20.6	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	4.36	6.45	3.00	3.50	63 —37¾	52	6.7
UNITED ENG. & FDRY. .... W.C. (mil.) '56—$18.5 W.C. (mil.) '57—$20.5	N.A.	N.A.	N.A.	N.A.	1.10	1.10	1.28	2.02	.90	1.00	16⅞—11½	15½	6.5
WORTHINGTON CORP. .. W.C. (mil.) '56—$68.1 W.C. (mil.) '57—$70.6	93.1	91.4	5.2	4.5	3.10	2.51	6.11	6.35	2.50[1]	2.50[1]	68½—45⅛	61	4.1

N.A.—Not available.
W.C.—Working capital.
d—Deficit.
[1]—Plus stock.
[2]—Six months ending May 31.
[3]—9 months ending June 30.
[4]—First quarter.
*—Indicated dividend rate.

American Machine & Foundry: Reduced defense volume and lower sales of other items are expected to lower 1958 profits, although further growth of rentals from pinspotters will help maintain earnings. (B-3)

Blaw-Knox: Lower backlogs for heavy capital goods indicate 1958 volume will be lower, but absence of losses on special contracts should help maintain profits. (B-3)

Bucyrus-Erie: Sharply lower demand for construction machinery reported. Profits for 1958 expected to be well below 1957 results. Dividends reduced to $0.25 quarterly. (B-3)

Buffalo Forge: Reduced demand for machine tools and other equipment by domestic industries together with rising costs expected to hold 1958 earnings below those of 1957. (B-3)

Clark Equipment: Lower demand for industrial trucks and automotive equipment expected to offset addition of new items. Sharply lower earnings indicated for this year. (A-3)

Cooper-Bessemer: Reduced activity in construction of gas pipe lines will hold 1958 earnings well below 1957 levels. Dividends may continue. (C-3)

Fairbanks, Morse: Declining capital expenditures by industry probably will result in substantially lower sales and earnings for 1958. Dividends insecure. Other issues appear to offer greater value. (D-3)

Foster Wheeler: Relatively well maintained volume and the absence of contract losses incurred in 1957 indicate 1958 results will show good profits. Early resumption of dividends unlikely. (B-1)

Gardner-Denver: Reduced sales of machinery to mining, oil, and industrial markets suggest 1958 sales and earnings will be below 1957 results, although dividends may continue at $0.50 quarterly. (B-3)

Joy Manufacturing: Earnings for fiscal 1958 will be reduced as a result of two strikes and lower sales of mining equipment, although longer term prospects are good. Dividends reduced to $0.50 quarterly. (B-3)

Link Belt: Lower demand for transmissions and handling equipment in early 1958 indicate that volume and earnings for the current year will be well below 1957 levels. Dividends reduced to $0.60 quarterly. Longer term prospects will be helped by the Federal road program. (B-3)

Mesta Machine: Lower domestic backlogs being largely offset by increased export business and 1958 earnings may approximate 1957 levels. (A-2)

United Engineering & Foundry: Declining backlogs for domestic steel mill equipment being offset partly by increased export business. 1958 earnings expected to hold close to 1957 levels. (B-2)

Worthington Corp.: Despite the slowdown in industrial purchases of machinery of most types, the wide variety of Worthington's outlets and its parts and engineering business indicate its sales and earnings for 1958 will hold close to 1957 levels. (B-2)

RATINGS: A—Best grade. B—Good grade. C—Speculative. D—Unattractive. 1—Improved earnings trend. 2—Sustained earnings trend. 3—Lower earnings trend.

were expected to total about $30.8 billion, a decline of more than 6 billion, or 17% from the record outlays reported for 1957.

Decline In Capital Spending

The annual rate of expenditures has shown a steady decline during 1958. During the first quarter it was at a seasonally adjusted rate of $32.5 billion, and indicated expenditures for the second and third quarters of 1958 were at $31.8 and $30.5 billion respectively. These figures also indicate that expenditures during the closing quarter of 1958 will be at a rate below $30 billion annually.

There is no longer any reason to doubt that the decline in sales and earnings which has been felt by most industries in the 1958 recession, occurring at a time when a relatively large amount of new capacity was coming on stream in most major industries, has caused many companies to postpone capital expenditures of all types, or at least to stretch them out and slow them down.

Leading Machine Tool Companies

	1st 6 Months						Full Year						
	Net Sales		Net Profit Margin		Net Per Share		Earned Per Share		Dividend Per Share		Price Range	Recent Price	Div. Yield
	1957 (Millions)	1958 (Millions)	1957 %	1958 %	1957	1958	1956	1957	1957	Indic. 1958	1957-1958		%
BLACK & DECKER W.C. (mil.) '56—$18.7 W.C. (mil.) '57—$20.9	$39.3[5]	$32.1[5]	10.4[5]%	7.2[5]%	$4.23[5]	$2.23[5]	$5.17	$5.40	$1.40[3]	$1.40	64⅜—35¾	47	3.0%
BULLARD W.C. (mil.) '56—$ 9.0 W.C. (mil.) '57—$ 9.6	9.5[1]	4.2[1]	1.7[1]	d9.2[1]	0.22[1]	d0.62[1]	2.06	.29	.60	—	29⅛— 9⅜	16	—
CHICAGO PNEUM. TOOL W.C. (mil.) '56—$39.4 W.C. (mil.) '57—$46.1	22.8[1]	19.1[1]	13.6[1]	11.0[1]	0.72[1]	0.48[1]	2.44	2.64	1.12	1.12	29⅛—18½	26½	4.2
CINCINN. MILLING MACH. W.C. (mil.) '56—$4.39 W.C. (mil.) '57—$46.9	79.3[4]	54.0[4]	5.6[4]	3.4[4]	2.56[4]	1.03[4]	4.64	4.46	1.60	1.60	50½—27	39½	4.1
EX-CELL-O W.C. (mil.) '56—$36.6 W.C. (mil.) '57—$38.2	88.1	69.8	9.2	7.8	2.25	1.45	4.01	3.89	1.25	1.50	51¾—28½	39½	3.8
INGERSOLL-RAND W.C. (mil.) '56—$121.9 W.C. (mil.) '57—$ 85.1	N.A.	N.A.	N.A.	N.A.	1.48[1]	1.25[1]	5.96	6.01	4.00	4.00	88½—58	80	5.0
MONARCH MACH. TOOL W.C. (mil.) '56—$ 6.2 W.C. (mil.) '57—$ 6.6	9.0	4.7	3.0	7.5	0.34	1.61	2.34	2.42	1.20	1.20	24½—15½	18½	6.5
NATIONAL ACME W.C. (mil.) '56—$23.6 W.C. (mil.) '57—$24.1	N.A.	N.A.	N.A.	N.A.	2.83	0.89	8.60	5.81	4.50	3.00	80½—40½	54	5.6
UNITED-GREENFIELD CORP* W.C. (mil.) '56—$ 7.1 W.C. (mil.) '57—$21.7	27.6	18.8	8.0	3.7	1.34	0.38	2.57[2]	1.89[2]	1.20	1.10	19 —11⅛	13	8.5
VAN NORMAN INDUST. W.C. (mil.) '56—$20.5 W.C. (mil.) '57—$20.6	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	1.10	.22	.20	—	13½— 4⅝	9⅛	—

N.A.—Not available.
W.C.—Working capital.
d—Deficit.

*Successor to Greenfield Tap & Die Corp., & United Drill & Tool Corp.

[1]—1st quarter.
[2]—Pro-forma.
[3]—Plus stock.
[4]—24 weeks ended June 14.
[5]—Nine months ending June 30.

Black & Decker: Although lower shipments to domestic industries in the first half of fiscal 1958 indicate lower volume and earnings for the current year, the company's growing export business and its coverage of the do-it-yourself market strengthen its longer term prospects. (B-3)

Bullard Co.: Sharply reduced shipments and backlogs of this leading machine tool company suggest that operations for 1958 may be in the red. Dividends are not likely to be resumed until earnings recover. (C-3)

Chicago Pneumatic Tool: Lower capital expenditures by industry and reduced oil well drilling activity indicate 1958 earnings of this company will be materially below 1957 results. However, dividends of $0.25 quarterly should continue. (B-3)

Cincinnati Milling Machine: Smaller deliveries of machine tools and sharply lower backlogs suggest that 1958 earnings of this leading machine tool builder will be down sharply in 1958, although its longer term outlook is favorable. Dividends of $0.40 quarterly probably will be maintained. (A-3)

Ex-Cell-O Corp.: Lower defense volume and reduced sales of other items indicate that 1958 volume and profits will be well under 1957 levels. However the company's strong position in precision products and automation equipment strengthen its longer term prospects. Dividends of $0.37½ quarterly are likely to continue. (A-3)

Ingersoll-Rand: Reduced expenditures for plant and equipment by domestic industries will reduce 1958 volume and earnings of this leader. However, the company's competitive position is outstanding. Finances are strong and quarterly dividends of $0.75 should continue. (A-3)

Monarch Machine Tool: Sharply lower deliveries and backlogs of lathes and other tools will reduce earnings materially for the current year. However the company's finances are excellent and dividends of $0.30 quarterly may continue. (B-3)

National Acme: The low level of automobile production and smaller defense production will result in appreciably lower earnings in 1957. Despite this, regular dividends of 50¢ quarterly may be maintained. (B-3)

United-Greenfield (merger of United Drill & Tool and Greenfield Tap & Die). Reflecting the slowdown of industrial activity, sales of cutting tools are likely to be off materially for 1957; earnings will follow a similar pattern. Dividends have been reduced from $0.27½ quarterly to $0.20 quarterly. (C-3)

RATINGS: A—Best grade. B—Good grade. C—Speculative. D—Unattractive. 1—Improved earnings trend. 2—Sustained earnings trend. 3—Lower earnings trend.

As is indicated by the following table, this has been the pattern for all major industries with the exception of the electric utilities.

TABLE I

ESTIMATED DECLINE IN PLANT AND EQUIPMENT EXPENDITURES FROM 1957 LEVELS

	Estimate of April-May 1958	Estimate of Jan.-Feb. 1958
Manufacturing	–25%	–17%
Durable-goods industries	–29	–22
Nondurable-goods indus.	–20	–12
Mining	–25	–15
Railroads	–47	–38
Transportation (other than rail)	–17	–19
Public Utilities	2	4
Electric Companies	5	
Gas Companies	–7	
Commercial & Other	–11	–13
Total	–17	–13

Turn for the Better

As important as data on planned expenditures for new plants and equipment are in gauging the outlook for the machinery and machine tool makers, it should be noted that plans of this type reported by business are subject to fairly rapid change. There are now a number of encouraging signs which indicate that the decline in plant and machinery expenditures which dominated operations of the machinery and machine tool makers in the first half of 1958 has already reached its low, and that the industry's prospects for 1959 shape up relatively well, although they are not expected to recover to the record levels which characterized 1957.

Machine Tool Orders

One of the most important indices of near term business prospects for the industry is the monthly total of new machine tool orders released by the National Machine Tool Builders Association. Net new orders for cutting type machine tools, the most important category of tools, appear to have reached their low for the current recession last December. They have shown a small but steady improvement in every month but April of 1958, an improvement which was aided by a gain of 8% in June 1958.

When compared with orders received during the two preceding years, total new orders for the first half of 1958 were $139,850,000, down materially from the $316,150,000 booked during the first half of 1957, and down even more from the $508,600,000 booked for the first half of 1956.

As will be noted, operations are still at what are the lowest levels in some years. However, of more importance from the investment viewpoint, the sharp decline which began in the third quarter of 1957 appears to have stopped, and year to year comparisons are expected to become increasingly favorable over the next few months. There are a number of other developments already effected or in prospect which indicate that the improved showing being made by new cutting tool orders represents something more than just a straw in the wind.

Defense Expenditures

One of the most important factors in the outlook for many branches of the industry, and one which has little to do with general business conditions, is represented by the Government's expenditures for aircraft and other defense items. In mid 1957 for example a major factor in declining backlogs of the tool makers was accounted for by cut-backs in the Air Force's procurement program.

However, in view of the current ominous trend of events in the Mid-East, it now seems rather likely that all aspects of the Defense Program will be stepped up in the near future. Further support of this premise is found in the Senate's recent action in voting $1.2 billion more than had been asked for by the President, and its sharp criticism of the Pentagon for its inaction and its lack of urgency in meeting the Soviet missile challenge. The conclusion seems more than warranted that total defense expenditures by the Government will play a role of increasing importance in the machine tool and machinery industry's operations in 1959 and 1960.

Increased Road Building

One part of the machinery industry, notably that which makes the relatively heavy type of earth moving and handling machinery, also will be aided by the gradual step-up in road building. In June 1958, for example, contracts awarded for interstate highways totaled $195,000,000, up about 90% from the $105,000,000 awarded in May 1958. In addition, $133,000,000 of the contracts were awarded for Federal Aid for primary and secondary highways. Although the Federal highway program has been slow to take effect in actual highway construction, highway expenditures are expected to exceed $5 billion in 1958, as against $4.8 billion in 1957, and to reach a level of $8.0 billion annually by 1960.

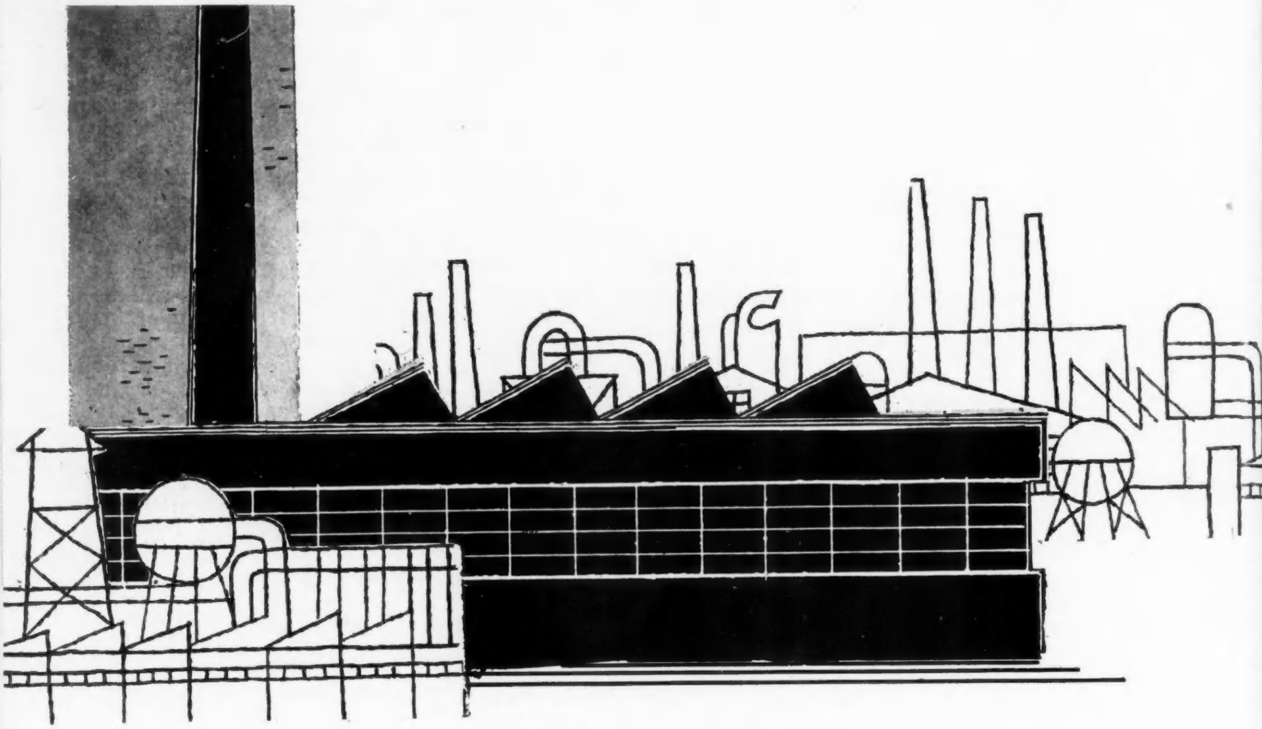
Export Markets

Exports of machine tools and machinery are an important factor in the machinery industry's operations, normally accounting for about 20% of the machinery industry's total output. This ratio was maintained in the first half of 1958.

The longer term outlook for exports of machinery and machine tools is clouded by increasing competition from foreign producers, the likelihood of reduced foreign aid programs by the U.S. Government, and a growing tendency on the part of American producers to establish or license foreign subsidiaries. However, the industrialization of many backward countries and the rapid recovery being shown in many parts of the world suggest that near term prospects for export business will continue relatively favorable.

The Domestic Industrial Outlook . . . Turning Better?

More important than any month's unfilled orders, than stepped up defense programs, than Federal Highway programs or exports; more important than all these factors put together perhaps, is the domestic industrial outlook. There is no proof that the 1958 recession is over. But opinion is growing that if it is not over, it has *(Please turn to page 598)*



Special Section of Mid-Year Dividend Forecasts

SURVEY OF 36 UNCLASSIFIED STOCKS

By Our Staff

As in past years, this special section has been prepared for the purpose of evaluating stocks that can not readily be considered as belonging to any particular industrial group.

While investors usually give more active attention to the companies comprising the major industries, there are many important stocks in the so-called unclassified category that are widely held. For instance, investment interest in such growth issues as Eastman Kodak, Minnesota Mining & Manufacturing and National Lead is apparent. It is also understandable why many stockholders, requiring steady income, are interested in such stable dividend payers as American Chicle, Diamond Match (now Diamond Gardner), Hershey Chocolate and Wm. Wrigley Jr., among others.

A number of heavy industry issues are included in our unclassified list, such as Babcock & Wilcox, one of the largest manufacturers of steam generating equipment. While earnings of such companies can be expected to fluctuate with the business cycle, to a greater or less degree, this may lend additional interest for investors seeking capital appreciation in well-timed selections and able to assume the element of risk inherent in cyclical changes.

Again, there are certain smaller groups of stocks that might be viewed as sub-industries, as their prospects are tied closely to the fortunes of one or more major industries. The oil equipment group is an example, represented by such companies as Dresser Industries and Halliburton Oil Well Cementing. The business of these companies depends primarily on prosperity in the oil and gas industries, which in turn determines drilling activity.

The list includes a number of what might be termed simon-pure specialty companies that carry less investor interest in some cases. However, this is not to say that they are lacking in merit.

Also, in the unclassified group, there will be found such leading companies as United Fruit, with its Central American interests, and W. R. Grace & Co. engaged in banking and various business activities and prominent in Latin America.

Finally, it should be noted that changes are continuously taking place in industry. Consequently our list of unclassified stocks is not static, but is subject to change from year to year. We feel that our readers will be interested in the 36 stocks shown in the attached tables, together with our comments on each issue following the tables.

Survey of 36 Unclassified Stocks

	1st 6 Months Net Sales 1957 ——(Millions)——	Net Sales 1958	Net Profit Margin 1957 %	Net Profit Margin 1958 %	Net Per Share 1957	Net Per Share 1958	Full Year Earned Per Share 1956	Earned Per Share 1957	Dividend Per Share 1957	Dividend Per Share Ind. 1958*	Price Range 1957-1958	Recent Price	Div. Yield %
AMER. CHAIN & CABLE WC. (mil.) '56—$31.8 W.C. (mil.) '57—$34.0	$ 31.5[3]	$ 27.1[3]	6.7[3]%	3.8[3]%	$1.92[3]	$ .91[3]	$6.80	$5.93	$2.50[5]	$2.50	64¼—38⅜	47⅝	5.3%
AMERICAN CHICLE .... W.C. (mil.) '56—$21.5 W.C. (mil.) '57—$23.9	N.A.	N.A.	N.A.	N.A.	2.55	2.82	4.56	5.62	3.50	3.50	83 —53½	80⅛	4.4
AMER. SEATING .... W.C. (mil.) '56—$13.0 W.C. (mil.) '57—$13.4	13.8	14.2	3.3	4.4	.70	.98	2.77	2.65	1.50	1.50	34½—17½	29¼	5.1
ANDERSON CLAYTON .... WC. (mil.) '56—$111.1 W.C. (mil.) '57—$118.6	511.3[1]	450.2[1]	2.2[1]	1.4[1]	3.52[1]	1.94[1]	3.82	4.76	2.00	2.00	50½—32½	37	5.4
ARCHER-DANIELS .... W.C. (mil.) '56—$50.7 W.C. (mil.) '57—$46.8	N.A.	N.A.	N.A.	N.A.	2.80[2]	1.63[2]	3.61	3.36	2.00	2.00	39⅜—28⅜	34⅝	5.8
BABCOCK & WILCOX .. .. W.C. (mil.) '56—$106.8 W.C. (mil.) '57—$130.3	86.4[3]	92.6[3]	4.4[3]	2.2[3]	.71[3]	.33[3]	2.63	2.69	1.00[5]	1.00[5]	46⅞—26	30¼	3.3
BRUNSWICK-BALKE .... WC. (mil.) '56—$29.7 W.C. (mil.) '57—$36.2	45.4	65.2	2.8	4.9	1.14	2.05	3.07	5.53	65[5]	1.00	44¾—21¼	43⅝	2.3
CARBORUNDUM CO. .... W.C. (mil.) '56—$32.1 W.C. (mil.) '57—$38.3	27.7[3]	22.7[3]	5.3[3]	2.0[3]	.85[3]	.26[3]	3.68	3.61	1.60	1.60	51¼—28¼	35½	4.5
CONSOL. LAUNDRIES ... .. W.C. (mil.) '56—$ .1 W.C. (mil.) '57—$1.3	N.A.	N.A.	N.A.	N.A.	.97	.98	2.04	2.16	1.25	1.25	19½—15	19	6.6
CROWN CORK & SEAL.... W.C. (mil.) '56—$34.6 W.C. (mil.) '57- $36.8	60.8	58.2	—	1.6	d.25	.55	d.14	.30	—	—	22⅛—10½	21⅛	—
DIAMOND GARDNER ...... W.C. (mil.) '56—$49.1 W.C. (mil.) '57—$45.6	41.1[3]	39.4[3]	6.0[3]	4.5[3]	.67[3]	.47[3]	2.92	2.15	1.80	1.80	37⅞—25⅛	32¼	5.6
DRESSER INDUSTRIES ...... W.C. (mil.) '56—$72.3 W.C. (mil.) '57—$92.5	127.3[4]	114.3[4]	7.4[4]	4.3[4]	2.10[4]	1.11[4]	3.97	4.60	1.80	2.00	57¾—33	41½	4.8

W.C.—Working capital.
N.A.—Not available.
d—Deficit.

[1]—6 months ended January 31.
[2]—9 months ended March 31.
[3]—1st Quarter.

[4]—6 months ended April 30.
[5]—Plus stock.

*Indicated dividend rate.

American Chain & Cable: Smaller sales and earnings are indicated for the current year. However, record in recent years has been good. Current dividend is expected to continue and the yield is good. (B3)

American Chicle: This second largest gum producer has an excellent record of sales and earnings and these are expected to show a further increase this year. Earnings have shown a steady rise which continued in the first half of 1958. Dividend policy is liberal. (A1)

American Seating: The principal markets for this largest manufacturer of public seating equipment are schools, public buildings and churches. The increased registration indicates a good demand for school equipment. Earnings in the first half of this year showed a moderate increase over the same period last year and quarterly dividend of 30 cents per share yields a satisfactory income. (B1)

Anderson Clayton: This largest cotton merchandising company also operates vegetable oil refineries, sells green coffee and produces food products here and abroad. Earnings have declined over the past year or so but earnings over the years have been fairly satisfactory. The $2.00 annual dividends is expected to continue. (B3)

Archer-Daniels-Midland: This major producer of flaxseed and soybeans has shown a declining trend in the first 9 months of this fiscal year but is seeking to improve its position. The $2.00 annual dividend does not appear to be in jeopardy. (B3)

Babcock & Wilcox: Company is one of the largest producers of public utility generating equipment and is also engaged in atomic energy projects. A decline in earnings was reported in the first six months of this year but improvement is indicated over coming months. Consecutive dividends have been paid since 1881 with the single exception of 1939. Longer term prospects appear favorable. (B3)

Brunswick-Balke-Collender: Record sales of the automatic pinspotter may be attained this year and a further increase in earnings is indicated. This may be the peak year for the pinsetter. Dividend payouts have been modest and the cash yield is less than average. A 5% stock dividend was paid last year. (B1)

Carborundum: This old established and leading producer of abrasives is completing a substantial expansion program. Earnings declined in early months of this year and demand depends primarily on activity in the durable goods industries. Development of new products will aid future earnings. (B3)

Consolidated Laundries: Most of the company's business is confined to commercial laundering. Earnings have been fairly stable in recent years, extension of marketing area should aid earnings over coming months. Dividend yield is generous. (B2)

Crown Cork & Seal: The keenly competitive situation has adversely affected earnings in recent years but some improvement is indicated in the current year. Resumption of common dividends may be considered later. (C1)

Diamond Gardner Corp. formerly known as Diamond Match, through merger with Gardner Board & Carton has expanded and diversified. Matches and lumber account for about half of sales volume. The near term outlook is not promising but some improvement may develop later on. (B3)

Dresser Industries: This company makes drilling, refining and other equipment mainly for the oil and natural gas industries. Net income declined sharply for the 6 months to April 30, 1958 and while the company has diversified operations somewhat, improvement will depend on demand for equipment from the oil and gas industries. Despite clouded near term outlook the longer term prospects appear favorable. (B3)

RATINGS:
A—Best grade.
B—Good grade.
C—Speculative.
D—Unattractive.
1—Improved earnings trend.
2—Sustained earnings trend.
3—Lower earnings trend.

Survey of 36 Unclassified Stocks (Continued)

	Net Sales 1957 (Millions)	Net Sales 1958 (Millions)	1st 6 Months Net Profit Margin 1957 %	1st 6 Months Net Profit Margin 1958 %	1st 6 Months Net Per Share 1957	1st 6 Months Net Per Share 1958	Full Year Earned Per Share 1956	Full Year Earned Per Share 1957	Full Year Dividend Per Share 1957	Full Year Dividend Per Share Ind. 1958*	Price Range 1957-58	Recent Price	Div. Yield %
EASTMAN KODAK .... W.C. (mil.) '56—$264.0 W.C. (mil.) '57—$294.2	$348.0	$353.6	11.6%	10.5%	$2.09	$1.94	$4.89	$5.09	$2.65[3]	$2.85	116 —81¾	115⅞	2.5%
FERRO CORP. W.C. (mil.) '56—$13.5 W.C. (mil.) '57—$14.3	27.7	26.9	3.1	3.4	1.22	1.09	3.64	2.38	.80[3]	.80[3]	31⅜—16	23¾	3.4
FILTROL CORP. .... W.C. (mil.) '56—$12.7 W.C. (mil.) '57—$16.2	N.A.	N.A.	N.A.	N.A.	1.66	1.21	4.16	3.45	1.80	1.80	66 —36¼	48½	3.7
GILLETTE CO. .... W.C. (mil.) '56—$33.3 W.C. (mil.) '57—$34.7	93.8	91.6	13.9	13.6	1.40	1.32	3.40	2.80	2.25	2.25	46½—32⅛	41⅛	5.5
GLIDDEN CO. .... W.C. (mil.) '56—$35.6 W.C. (mil.) '57—$53.3	168.4[1]	157.6[1]	3.2[1]	2.4[1]	2.34[1]	1.65[1]	3.55	3.16	2.00	2.00	37½—28	34⅛	5.9
GRACE (W.R.) & CO. .... W.C. (mil.) '56—$108.1 W.C. (mil.) '57—$120.6	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	4.30	3.30	2.40	2.40	57⅜—39¼	49	4.9
HALLIBURTON OIL W..... W.C. (mil.) '56—$49.7 W.C. (mil.) '57—$55.5	45.6[2]	39.5[2]	9.2[2]	6.3[2]	1.05[2]	.63[2]	5.00	4.80	2.40	2.40	89¾—47⅛	66	3.6
HERSHEY CHOC. .... W.C. (mil.) '56—$55.7 W.C. (mil.) '57—$61.0	N.A.	N.A.	N.A.	N.A.	1.84[2]	1.37[2]	5.17	6.03	3.10	3.40	62 —47½	60	5.7
HERTZ CORP. .... W.C. (mil.) '56—$ 1.5 W.C. (mil.) '57—$ d.1	18.8[2]	21.7[2]	5.5[2]	2.9[2]	.55[2]	.31[2]	2.63	2.88	1.05	1.20[3]	44¼—27¼	37½	3.2
INTERNATIONAL SALT .. W.C. (mil.) '56—$ 7.0 W.C. (mil.) '57—$ 7.4	N.A.	N.A.	N.A.	N.A.	4.54	4.03	10.76	9.11	5.50	5.50	125 —85	122¼	4.5
JOHNSON & JOHNSON W.C. (mil.) '56—$53.8 W.C. (mil.) '57—$63.5	65.4[2]	64.7[2]	5.1[2]	4.8[2]	1.59[2]	1.47[2]	6.14	6.22	1.70	1.95	100¼—69	98	2.0
MERGENTHALER LINO .. W.C. (mil.) '56—$25.7 W.C. (mil.) '57—$26.0	20.3[4]	15.1[4]	6.4[4]	2.5[4]	2.79[4]	.88[4]	3.94	6.03	2.00	.50[5]	69¾—30½	38⅜	—[5]

W.C.—Working capital.
N.A.—Not available.
d—Deficit.

1—9 months ended May 31.
2—1st Quarter.
3—Plus stock.

4—6 months ended March 31.
5—3% stock in lieu of cash paid 6/6/58.

*Indicated dividend rate.

Eastman Kodak: Moderately lower sales and earnings were shown for the first half of this year. However, this dominant photographic equipment company with substantial volume in chemicals and electronics should do well over coming months. Dividends should at least equal last year's rate. This high grade issue continues to offer good long term attraction. (A2)

Ferro Corp.: Largest producers of porcelain frit used as raw material on many important household appliances and also on a wide range of plumbing and industrial items. Foreign business is substantial. The expansion into newer lines augers well for future possibilities. Earnings declined in the early months of this year but should improve during the second half. 2% stock dividend was paid in June. (B-2)

Filtrol Corp: A major producer of petroleum catalysts, competition in the field has increased but sales and earnings are expected to improve in second half of the year. (B3)

Gillette Co.: Continues its dominant position in the razor blade field and foreign business is substantial. The company is actively engaged in the cosmetics and ballpoint fields and has entered the pharmaceutical field. Earnings declined moderately in the first half of the year, but aggressive marketing enhances the longer term outlook. (B-3)

Glidden Co.: Earnings declined in the 9 months to May 31 but some pick-up is expected in the food division and also in paints, naval stores, etc. Earning record has been somewhat erratic because of volatility of vegetable oil prices but company is diversifying to stabilize operations. (B3)

W. R. Grace & Co.: Operations of this long established holding company are diversifying and expanding and although operations in Latin American countries continue large, recent expansion has been directed mainly toward chemical activities in the U.S. Earnings have declined this year but the longer term outlook indicates further growth. (B3)

Halliburton Oil Well Cementing: Earnings of this leader in oil and gas well cementing and related services declined in the first half of this year but the oil industry growth and the broadening of the company's activities augur well for the longer term. (B3)

Hershey Chocolate: This largest domestic manufacturer of chocolate and cocoa products has reported consistent and fairly stable earnings and dividends. The stock is closely held and therefore is not active marketwise. Earnings should approximate the good results of last year. (A2)

Hertz Corp. Operates the largest rented vehicles business. Competition will increase but Hertz serves an expanding industry and the outlook continuous favorable. Expansion of operations abroad and rental of airplanes adds to potentials. Divided yield is less than average. (B3)

International Salt: Largest domestic salt producer has a long record of good earnings and dividends. The business is regarded as fairly stable and yields a satisfactory income. (A2)

Johnson & Johnson: World's largest producer of surgical dressings and related products. Earnings have shown steady growth in recent years but net may be moderately lower this year. Dividend yield is small. (B3)

Mergenthaler Linotype: Earnings have declined in the first half of this year and no near term improvement is indicated. Asset value is good and recovery in time is indicated. (B3)

RATINGS

A—Best grade.
B—Good grade.
C—Speculative.
D—Unattractive.

1—Improved earnings trend.
2—Sustained earnings trend.
3—Lower earnings trend.

Survey of 36 Unclassified Stocks (Continued)

	1st 6 Months: Net Sales 1957 (Millions)	Net Sales 1958 (Millions)	Net Profit Margin 1957 %	Net Profit Margin 1958 %	Net Per Share 1957	Net Per Share 1958	Full Year: Earned Per Share 1956	Earned Per Share 1957	Dividends Per Share 1957	Dividends Per Share Indic. 1958	Price Range 1957-1958	Recent Price	Div. Yield %
MINN. MIN. & MFG. .... W.C. (mil.) '56—$ 82.7 W.C. (mil.) '57—$ 82.9	$ 89.5[5]	$ 85.2[5]	10.9[5]%	9.4[5]%	$ .58[5]	$ .47[5]	$ 2.30	$2.34	$1.20	$1.20	101 -58	89¼	1.3%
NATIONAL LEAD .... W.C. (mil.) '56—$117.4 W.C. (mil.) '57—$113.8	147.9[5]	101.9[5]	10.0[5]	8.8[5]	1.22[5]	.72[5]	5.23	4.64	3.25	3.25	138 -84⅛	99¼	3.3
OUTBOARD MARINE ... W.C. (mil.) '56—$ 25.6 W.C. (mil.) '57—$ 38.9	68.6[1]	74.3[1]	9.1[1]	3.4[1]	.87[1]	.33[1]	1.69	1.67	.73	.80	37⅝-18¼	23⅞	3.4
RHEEM MFG. .... W.C. (mil.) '56—$ 25.5 W.C. (mil.) '57—$ 36.0	53.0	36.1	1.6	—	.73	d.26	d5.01	.97	.10	—	21¼-10	13¾	—
SCOVILL MFG. .... W.C. (mil.) '56—$ 28.0 W.C. (mil.) '57—$ 35.1	35.2[5]	28.3[5]	4.1[5]	—	.86[5]	d.16[5]	2.81	1.31	2.00	.75[3]	33½-19	20⅝	—
SHEAFFER (W.A.) PEN .. W.C. (mil.) '56—$ 10.4 W.C. (mil.) 57—$ 13.2	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	1.34	.79	.30	.60	12¾- 8	8⅝	7.0
SIMMONS CO. .... W.C. (mil.) '56—$ 41.0 W.C. (mil.) '57—$ 42.8	66 2	57.2	3.7	3.2	2.11	1.56	5.17	4.87	3.00	2.00[8]	49¼-33¼	39¾	5.0
SPENCER KELLOGG ...... W.C. (mil.) '56—$ 23.3 W.C. (mil.) '57—$ 20.3	97.5[2]	91.0[2]	1 0[2]	.8[2]	74[2]	.60[2]	.99	1.00	.80	.80	19⅛-12⅛	16⅜	4.9
UNITED FRUIT .... W.C. (mil.) '56—$ 49.0 W.C. (mil.) '57—$ 44.5	N.A.	N.A.	N.A.	N.A.	2.09	1.94	3.45	3.59	3.00	3.00	49¼-33⅝	47⅝	6.3
VANADIUM CORP. ...... W.C. (mil.) '56—$ 23.5 W.C. (mil.) '57—$ 22.1	15.6[5]	11.2[5]	8.8[5]	3.5[5]	1.09[5]	.31[5]	4.72	3.15	2.00	1.50[6]	50½-25	34⅜	2.9[7]
WESTERN UNION .... W.C. (mil.) '56—$ 30.4 W.C. (mil.) '57—$ 29.4	109.2[4]	102.4[4]	3.2[4]	3.4[4]	.83[4]	.57[4]	2.21	2.03	1.10	1.20	20⅞-14½	21¾	5.5
WRIGLEY (W.) JR., CO. W.C. (mil.) '56—$ 51.3 W.C. (mil.) '57—$ 52.3	46.1	44.4	12.3	12.0	2.87	2.71	5.67	5.54	4.50	4.50	88¾-75	82¾	5.4

W.C.—Working capital.
d—Deficit.
[1]—6 months ended May 31.
[2]—9 months ended May 31.
[3]—Dividend omitted 5/29/58.
[4]—5 months ended May 31.
[5]—1st Quarter.
[6]—Reduced from 50c to 25c quarterly.
[7]—Based on $1.00 annual rate — see [6].
[8]—Reduced from 70c to 50c quarterly.

Scovill Manufacturing: A deficit was reported in the first quarter of this year, and profit margins will continue under pressure over coming months but some improvement in demand is indicated. Dividends were paid consecutively since 1855 but were omitted in the most recent quarter. The business is cyclical and operations should eventually improve. (B-3)

Sheaffer (W.A.) Pen: Intensified competition in the pen field will affect net profits but company is diversifying and purchased a hearing aid and electronics devices company and this will add to sales volume. Dividend coverage has been narrow. (C3)

Simmons Co.: Sales of this largest bedding company are down but introduction of living room furniture should increase sales volume over coming months. Dividend recently reduced. (B-3)

Spencer Kellogg: The vegetable oil fields is volatile and earnings of the company have been subject to wide swings over the years. Earnings for the latest fiscal year are expected to be lower. Lack of diversification detracts from this situation and the stock must be regarded as highly speculative. (C3)

United Fruit: Earnings for the first half of this year were moderately lower but operations over the second half should be fairly stable. Consecutive dividends have been paid since 1899 and the current yield is generous. This is primarily a good income stock. (B-2)

Vanadium Corp. of America: Smaller sales and lower profit margins have reduced earnings sharply in the first half but as the principal customer, the steel industry, is expected to do better over coming months, this should beneficially affect operations. Manufacturing facilities have been expanded. Dividend yield is modest. (B-3)

Western Union: Earnings decline expected for the current year as operations are sensitive to general business conditions. Expansion of private wire and facsimile services should improve longer term prospects. (B-3)

Wrigley (Wm.) Co.: Higher costs are expected to be reflected in moderately smaller sales and earnings this year of this largest chewing gum manufacturer. This defensive industry issue provides a liberal yield. (A2)

Minnesota Mining & Manufacturing: Growth over the years has been outstanding with development of new products aiding operations of basic abrasive lines. This stock sells at a high price-earnings ratio and yields only a small cash return in line with outstanding growth situations. Prospects favorable. (A2)

National Lead: Sales and earnings are expected to be lower this year but paint sales are expected to increase and potentials in uranium and other ore processing plus expansion into new products indicates further good long-term growth. (A3)

Outboard Marine: Although earnings have declined in the first half of the current fiscal year, improvement is indicated for the second half and the demand for outboard motors, which has increased sharply in recent years, is expected to continue good over coming months. Operations will be affected by general business conditions as the company's products are considered recreational. Divided yield is rather modest. (B3)

Rheem Manufacturing: A deficit was shown in the first 6 months of this year and only moderate improvement is foreseen over coming months. Early resumption of the dividend is not expected. Holders will require patience in this issue with hope of improvement later on. (C-3)

RATINGS:

A—Best grade.
B—Good grade.
C—Speculative.
D—Unattractive.
1—Improved earnings trend.
2—Sustained earnings trend.
3—Lower earnings trend.

FOR PROFIT AND INCOME

August Markets

The "traditional" summer rise has sometimes topped in July, sometimes in August. Sometimes it has been a soon-forgotten phase of an incomplete bull market; and in rare instances it has not materialized. We know these observations are not of much help. Neither is the average past record of any month. If you are curious, however, August has a record second only to that of December, with some net advance by the industrial average in 39 years, decline in 21 years. The December record: up in 43 years, off in 18. We continue to think that the market has risen too far too fast. If that is not corrected in late summer, it probably will be in the autumn period.

Policy

People who have been gradually accumulating leading stocks on a dollar-averaging basis should, of course, continue to do so; because this method will work out in the long run only if one sticks with it methodically, avoiding the risks of market timing by judgement or hunch. Others now trying to decide whether to commit relatively important sums of idle cash are in a tough spot. Most income stocks have had their move and are not too appealing here. Most growth stocks are far advanced and are overpriced even on likely earnings several or more years ahead. Most cyclical stocks have had good recoveries which might in some cases discount profit betterment one to two years ahead. Still, if you believe, as we do, that a full business recovery is only a matter of time — regardless of whether it is one, two or three years and regardless of interim pauses — the "percentage" is in cyclical stocks which are still well under their 1956-1957 highs, which are basically sound, and which have considerable leverage. We suggest a modified dollar-averaging approach. Employ cash in at least several "bites" over a period of at least several months to increase chances of getting price concessions, which might now come fairly soon; and don't risk too much in any one stock.

Baltimore & Ohio

This major railroad serves highly industrialized Eastern Seaboard and Middle West areas

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1958	1957
Bestwall Gypsum Co.	Quar. June 30	$1.32	$1.06
Reynolds Metals	Quar. June 30	.81	.75
Beech-Nut Life Savers	Quar. June 30	.60	.53
Houston Lighting & Power	12 mos. June 30	2.84	2.58
Pillsbury Mills Inc.	Year May 31	5.80	4.04
Reynolds (R. J.) Tobacco	Quar. June 30	1.81	1.44
New England Tel. & Tel.	Quar. June 30	2.77	2.00
Lorillard (P.) Co.	Quar. June 30	2.09	.47
Sunshine Biscuits	6 mos. June 30	3.12	3.02
Cessna Aircraft Co.	9 mos. June 30	4.57	3.70

including such cities as New York, Philadelphia, Baltimore, Pittsburgh, Cincinnati, St. Louis and Kansas City. Bituminous coal and general manufactures — especially steel products — provide the bulk of traffic. Earnings (before sinking funds) were $10.85 a share in 1956, $8.53 in 1957. They may be between $4.50 and $5.50 this year, hinging on the degree of traffic improvement in the August-December period. Dividends totalled $2.50 last year, but are on a $1 basis now. Probably the next change will be upward. Around 36½ at this writing, the stock is up over 14 points from last December's low, but roughly 21 points under 1957 high of 58⅝. (It is one of the few rails which reached a higher level around mid-1957 than in the Spring of 1956). This is neither a good-quality rail nor a precariously marginal one. It is a sound, high-leverage speculation on industrial recovery potentials within, say, the next one to three years. These are shares to buy in several "bites", not to reach for in a big way in a rising market.

Textiles

It appears that a turn for the better has begun in the long-depressed textile business. There has been a modest firming in prices. Few reports are in at this writing, but Celanese Corp. had larger second-quarter sales and earnings than a year ago, after a poor first quarter; and its experience cannot have been unique. Earnings of many textile companies could improve fairly sharply by the fourth quarter. The stocks are not up enough to be subject to much near-term reaction. They are not stocks to "accumulate". You buy them only for a possible medium-term speculative swing. Suitable issues are Lowenstein around 15 and J.P. Stevens around 23.

Hope

Without hope, life would be nothing — and neither would the stock market. You cannot make money by hindsight into the past, although experience can be a useful teacher for future purposes. You cannot make money in the market at any instant of the present, except by taking profit on a previously made commitment. The stock buyer can only make money in the future. But nobody has 20-20 forward vision. The stock buyer acts on judgement, which is fallible; and hopes, which may or may not be realized. Among prominent stocks, Chrysler is perhaps selling more fully on hopes than any other. The company will lose money this year for the first time since the bleak year of 1932. The loss (it was $25.2 million in the first half) could exceed 1932's $11.2 million. Yet the stock, around 52, is up 18% from its earlier 1958 low. People figure the company can hardly fare worse in 1959 and might fare better. But, assuming, say, a 15% to 25% rise in industry sales, Chrysler's share of the market might be more or less than 1958's markedly reduced percentage, depending mainly on public reaction to car styling. Yet the stock is being tipped by hopeful brokers who have no more idea of what it might earn next year than have their hopeful customers. It wouldn't surprise us if it was $9 a share, or $4 or $2.50. If you like exceptionally unpredictable stocks, this one is outstanding in that respect.

Tobaccos

Lorillard earned $3.96 a share in the first half, up from a low-based 83 cents a year ago. Since it is already "up there," any further gains will be much smaller and slower. The damage to competitors varies widely. Reynolds' first-half net was a record $3.45 a share, against a high-based $2.69 a year ago. For some time, every interim report of this company has shown new records. The stock remains worth holding primarily for income. As things look now, it may have had much the greater part of its appreciation, although a sizable dividend boost is still ahead. American Tobacco is a good income stock. Liggett & Myers and Philip Morris lack any particular appeal. U. S. Tobacco (mainly a snuff stock) had a good play on favorable publicity for its King Sano cigarette, but the publicity did not boom sales or earnings. The stock has reacted, yet is still overpriced. The whole cigarette stock group has a tired look at this time.

Utility Tops

The utility list may possibly have topped out, although the evidence right now is highly tentative. If it has, the barometric significance might not become evident for some time. Utilities made tops two months ahead of the industrial average in 1957, four months after industrials in 1956, two months after industrials in 1953, at the same time with industrials in 1948 and 1946, a month ahead of industrials in 1939 and two months ahead in 1937. That's a somewhat erratic record.

Safe

If you want a stock much safer than average with a relatively high yield, take another look at American Snuff — but expect either no appreciation or very little. The company is doing well in a moribund industry, with profits improved each year since 1951. Net was a record $4.51 a share last year. With a good first-half gain in hand, it should be around $5 to $5.15 a share this year. Including a 20-cent extra paid in April, a $3 1958 payment is "in the bag." The stock yields nearly 5.7% at 53. A dividend boost is possible, but do not bank on it.

Phenomenal

Making mainly washing machines best known in the middle west, Maytag is beating the pants

(Please turn to page 602)

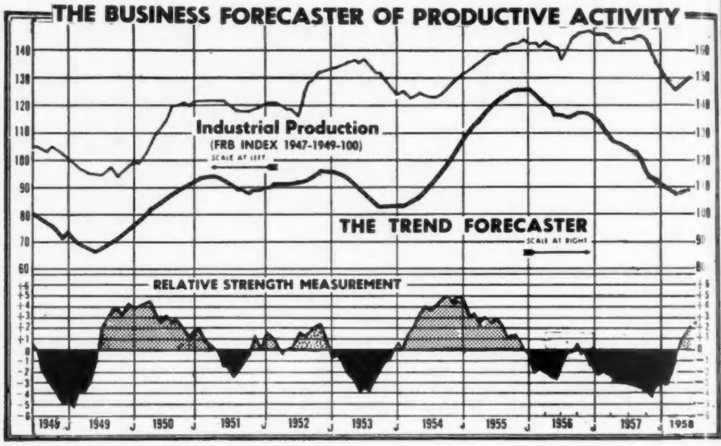
DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1958	1957
Bohn Alum. & Brass	Quar. June 30	$ .51	$ .82
Buffalo Forge Co.	Quar. May 31	.50	.80
Consolidation Coal Co.	Quar. June 30	.43	.74
Moore-McCormack Lines	Quar. June 30	.36	.64
Mack Trucks, Inc.	Quar. June 30	.81	1.37
Cosden Petroleum	Year April 30	2.01	2 34
Thompson Products, Inc.	Quar. June 30	.62	1.52
Eaton Mfg. Co.	6 mos. June 30	1.65	3.58
Wagner Electric Corp.	Quar. June 30	1.20	1.50
Worthington Corp.	6 mos. June 30	2.51	3.10

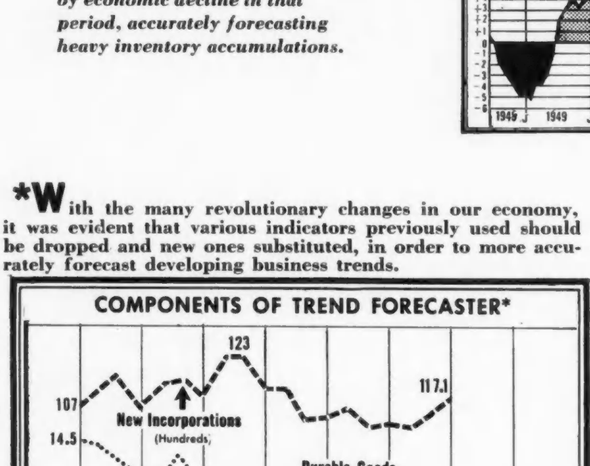
the Business

Business Trend Forecaster *

INTERESTING TO NOTE — The rise in industrial production line between 1956-57 was offset by economic decline in that period, accurately forecasting heavy inventory accumulations.



***With the many revolutionary changes in our economy, it was evident that various indicators previously used should be dropped and new ones substituted, in order to more accurately forecast developing business trends.**



(*)—Seasonally adjusted except stock commodity prices.
(a)—Based on F.W. Dodge data. 2 month moving average. In constant dollars.

This we have done in our *Trend Forecaster* (developed over a period of several years), which employs those indicators (see Components of Trend Forecaster) that we have found to most accurately project the business outlook.

As can be seen from the chart, industrial activity in itself is not a true gauge of the business outlook—the right answer can only be found when balanced against the state of our economy. The *Trend Forecaster* line does just that. When it changes direction up or down a corresponding change in our economy may be expected several months later.

The depth or height of the developing trend is clearly presented in our *Relative Strength Measurement* line, which reflects the rate of expansion or contraction in the making. When particularly favorable indications cause a rise that exceeds plus 3 for a period of time, a strong advance in general business is to be expected. On the other hand, penetration of minus 3 on the down side usually precedes an important contraction in our economy.

We believe that subscribers will find our Business Trend Forecaster of increasing usefulness both from the investment and business standpoints.

Current Indications of the Forecaster

Recent statistics make it clear that the **Relative Strength Measurement** rose sharply into positive ground late in the second quarter, and that it is continuing upward early in the third quarter.

Historically, the recovery of the **Relative Strength Measurement** has been about as rapid as in the last half of 1953, but not quite as rapid as in early 1949. At mid-1958, the **Relative Strength Measure** stood about where it stood in the early months of 1954, (when business was making a base for subsequent recovery) and about where it stood in the middle of 1949 (when the economy was just coming off the 1949 low). This time business has thus far shown some mild improvement from the bottom of early Spring. Based on historical parallels, the level of the **Relative Strength Measure** at mid-1958 foreshadows a more vigorous and widespread business advance starting by early Fall. This interpretation assumes that the **Strength Measure** will continue to rise in the third quarter, to a level of plus three or better: it should be added that the crisis in the Middle East may produce recovery faster than expected.

Analyst

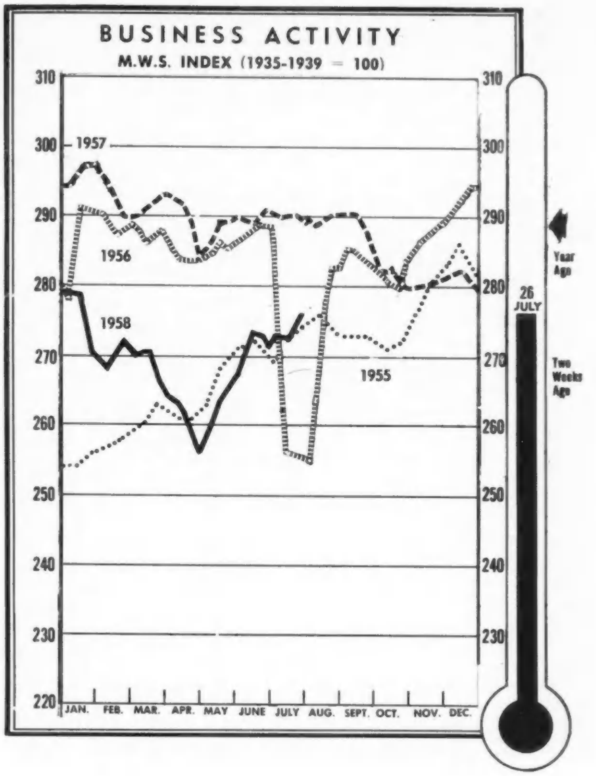
CONLUSIONS IN BRIEF

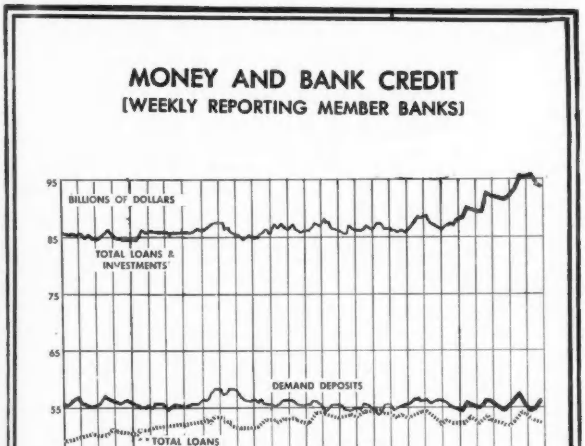
PRODUCTION—Now in a cross-current, as incipient recovery runs into the usual summer lull. But the basic trend is moderately upward, most particularly in raw-materials producing industries. Further and more general gains probable in the Fall.

TRADE—Department stores sales show further improvement in July, to about the best seasonally adjusted level of the year. Sales in consumer durables lines still sluggish. Food sales no longer rising, as prices have stabilized.

MONEY AND CREDIT—The total money supply is now in a new phase of expansion, reflecting a widening Federal deficit and government support of the long-term bond market. Bank liquidity improving rapidly, as holdings of government securities have increased.

COMMODITIES—after drifting to a halt in June, there are indications that the commodity price level (particularly industrial commodities) is beginning to move up again. Note rises in copper, rubber, tin, steel and aluminum. The Middle East accelerated this trend for a while but lack of shooting there has resulted in setbacks for some commodity futures.





A quick glance at the current crop of business statistics would certainly put all but the most unreconstructed bears on the defensive. Business is clearly improving, not collapsing, and the only question is how far and how fast the improvement will carry.

In three sectors—the three enumerated in this column a month ago—indications of heavier demand and production are now eminently clear. Government spending has moved notably upward: defense outlays in June were sharply higher than in any month of recent years. And public construction awards of the past several months make the point that spending of this type is in for a historic rise from the present already advanced level. The course of total government spending—including state and local spending, as well as federal outlays—is likely to rise perhaps $4 billion (annual rate) between now and early 1959.

The rate of inventory liquidation is now also turning into a strong and clear bullish influence. Judging from the limited inventory indications now available for recent months, the rate of liquidation is beginning to fall rapidly. This dwindling of liquidation is the essential strength behind the rise in the steel rate, the gain in petroleum output, the advance of lumber production. The same influence in strengthening prices in these and other industries which had been subjected to the full force of earlier liquidation.

Finally, the homebuilding industry is enjoying its own turn-around. Housing starts have climbed close to the 1.1 million annual rate; and, even more encouraging, contract awards for one-family and two family dwellings rose sharply in June. By all indica-

(Please turn to following page)

Essential Statistics

THE MONTHLY TREND	Unit	Month	Latest Month	Previous Month	Year Ago
INDUSTRIAL PRODUCTION* (FRB)	1947-'9-100	June	130	128	145
Durable Goods Mfr.	1947-'9-100	June	138	134	163
Nondurable Goods Mfr.	1947-'9-100	June	127	126	131
Mining	1947-'9-100	June	114	109	127
RETAIL SALES*	$ Billions	June	16.5	16.6	16.6
Durable Goods	$ Billions	June	5.2	5.2	5.8
Nondurable Goods	$ Billions	June	11.3	11.3	10.9
Dep't Store Sales	1947-'9-100	June	134	133	138
MANUFACTURERS'					
New Orders—Total*	$ Billions	June	25.3	25.0	27.1
Durable Goods	$ Billions	June	11.7	11.4	13.2
Nondurable Goods	$ Billions	June	13.6	13.6	13.8
Shipments*	$ Billions	June	25.7	25.2	28.1
Durable Goods	$ Billions	June	12.0	11.6	14.2
Nondurable Goods	$ Billions	June	13.7	13.6	13.9
BUSINESS INVENTORIES, END MO.*	$ Billions	May	87.0	87.6	90.6
Manufacturers'	$ Billions	May	51.0	51.5	53.9
Wholesalers'	$ Billions	May	12.1	12.2	12.7
Retailers'	$ Billions	May	23.9	23.9	23.9
Dept. Store Stocks	1947-'9-100	May	144	143	152
CONSTRUCTION TOTAL	$ Billions	June	4.4	4.1	4.4
Private	$ Billions	June	3.0	2.8	3.1
Residential	$ Billions	June	1.5	1.4	1.5
All Other	$ Billions	June	1.5	1.4	1.6
Housing Starts*—a	Thousands	June	1,090	1,010	995
Contract Awards, Residential—b	$ Millions	June	1,364	1.346	1,135
All Other—b	$ Millions	June	2,455	2,056	2,088
EMPLOYMENT					
Total Civilian	Millions	June	65.0	64.1	66.5
Non-Farm	Millions	June	50.4	49.9	52.5
Government	Millions	June	7.8	7.9	7.6
Trade	Millions	June	11.0	11.0	11.3
Factory	Millions	June	11.4	11.3	12.9
Hours Worked	Hours	June	39.2	38.6	40.0
Hourly Earnings	Dollars	June	2.12	2.12	2.07
Weekly Earnings	Dollars	June	83.10	81.83	82.80
PERSONAL INCOME*	$ Billions	June	352	350	350
Wages & Salaries	$ Billions	June	235	233	240
Proprietors' Incomes	$ Billions	June	57	57	56
Interest & Dividends	$ Billions	June	32	32	31
Transfer Payments	$ Billions	June	26	26	22
Farm Income	$ Billions	June	17	18	16
CONSUMER PRICES	1947-'9-100	June	123.7	123.6	120.2
Food	1947-'9-100	June	121.6	121.6	116.2
Clothing	1947-'9-100	June	106.7	106.7	106.6
Housing	1947-'9-100	June	127.8	127.8	125.5
MONEY & CREDIT					
All Demand Deposits*	$ Billions	June	107.4	107.6	107.3
Bank Debits*—g	$ Billions	June	81.5	80.3	77.7
Business Loans Outstanding—c	$ Billions	June	30.4	30.4	32.5
Instalment Credit Extended*	$ Billions	May	3.3	3.3	3.5
Instalment Credit Repaid*	$ Billions	May	3.4	3.4	3.3
FEDERAL GOVERNMENT					
Budget Receipts	$ Billions	June	10.8	4.9	11.7
Budget Expenditures	$ Billions	June	6.6	5.8	6.3
Defense Expenditures	$ Billions	June	4.2	3.6	4.0
Surplus (Def) cum from 7/1	$ Billions	June	(2.8)	(7.0)	1.6

PRESENT POSITION AND OUTLOOK

tions, the starts rate for new homes will run considerably above the present 1.1 million rate later this year.

Take these elements together, and they spell at least a moderate general uptrend, despite uninspiring behavior of consumer durables and capital goods markets. But if the Middle East triggers demand for these goods as well, the recovery could take on generous dimensions.

* * *

THE NEW NATIONAL ACCOUNTS—The Department of Commerce is now completing its annual revision of the American national accounts. The portions released thus far contain a few changes, and a few surprises.

In the first place, they show gross national product about $3 billion higher (at annual rate) than had been thought. This increase is the net effect of several offsetting changes: sales of consumer durables are now recorded as several billions of dollars higher than in the former series, while machinery and equipment comes out several billions lower. Personal outlays for services have been revised up somewhat, and spending for soft goods has been lowered. Government spending estimates now point $2 billion a year higher than in the old series; and personal income of individuals is now estimated about $5 billion higher than previously. For details, see "Quarterly Statement for the National Economy", on page 593.

* * *

ON THE INVENTORY TREND — the processes of the inventory cycle are now clearly in reverse. As sales rates begin to climb, inventory gets to look relatively smaller. That's what is happening now, and the result is a gradual increase in the rate of orders to raw materials industries. According to the Federal Reserve, output of raw materials industries rose a little in May, and a lot in June. It is evidently rising further in July, if allowance is made for seasonal trends. **Finished goods stocks of manufacturers are now falling, requiring higher output to maintain inventories at an efficient working level.**

* * *

AUTO SALES—they are still the big bewilderment of 1958. In early July they fell through the floor again, then picked up a bit in late July. The sales

and Trends

QUARTERLY STATEMENT FOR THE NATIONAL ECONOMY

In Billions of Dollars—Seasonally Adjusted, at Annual Rates

SERIES	1958 II Quarter	1958 I Quarter	1957 IV Quarter	1957 II Quarter
GROSS NATIONAL PRODUCT	428.0	425.8	438.9	441.2
Personal Consumption	288.0	286.2	287.2	282.5
Private Domestic Invest.	48.0	49.6	61.5	67.0
Net Foreign Investment	1.0	0.5	1.9	4.2
Government Purchases	91.0	89.5	88.3	87.5
Federal	51.8	50.9	50.5	51.5
State & Local	39.2	38.6	37.8	36.0
PERSONAL INCOME	351.8	347.3	349.7	348.4
Tax & Nontax Payments	42.4	42.3	43.0	42.7
Disposable Income	307.6	305.0	306.8	305.7
Consumption Expenditures	288.0	286.2	287.2	282.5
Personal Saving—d	19.6	18.8	19.6	7.6
CORPORATE PRE-TAX PROFITS	—	31.7	39.9	43.5
Corporate Taxes	—	16.1	19.9	21.7
Corporate Net Profit	—	15.5	20.0	21.8
Dividend Payments	—	12.5	12.0	12.6
Retained Earnings	—	3.0	8.0	9.2
PLANT & EQUIPMENT OUTLAYS	30.3	32.4	36.2	37.0

THE WEEKLY TREND

	Unit	Week Ending	Latest Week	Previous Week	Year Ago
MWS Business Activity Index*	1935-'9-100	July 26	276.1	273.0	289.2
MWS Index—per capita*	1935-'9-100	July 26	206.0	203.8	219.7
Steel Production	% of Capacity	Aug. 2	58.8	57.3	79.4
Auto and Truck Production	Thousands	Aug. 2	81	108	140
Paperboard Production	Thousand Tons	July 26	290	255	283
Paperboard New Orders	Thousand Tons	July 26	267	262	247
Electric Power Output*	1947-'49-100	July 26	230.8	232.6	230.7
Freight Carloadings	Thousand Cars	July 26	608	582	736
Engineering Constr. Awards	$ Millions	July 31	388	455	401
Department Store Sales	1947-'9-100	July 26	111	110	101
Demand Deposits—c	$ Billions	July 23	56.4	56.7	55.8
Business Failures	Number	July 23	264	279	228

PRESENT POSITION AND OUTLOOK

rate is still no better than about 4.6 million a year, and some 300,000 of these are small imported cars. By the looks of things in late July, the industry will produce about 4.2 million domestic cars, and sell just about that many, in 1958. The only thing that can be said with any assurance about the industry's present position is that it is bound to get better; a general business recovery late in the year, with an accompanying restoration of consumer confidence could add as much as one million units to the annual selling rate.

* * *

WORKER PAYROLLS—with the beginning of a rise in factory employment, and a sharp lengthening of the average workweek, the factory worker is beginning to recover from the terrific impact of the recession. Average hours of work have turned notably upward in the past few months, in both soft-goods and hard-goods industries. At the same time wage rates have inched up, although only very slowly. In June, the average weekly paycheck of the factory worker jumped to $83.10, slightly above the level of a year earlier. However, consumer prices had arisen in the intervening twelve months, and the purchasing power of a week's wages was still about 2% below a year ago.

*Seasonally adjusted. (a)—Private starts, at annual rates. (b)—F. W. Dodge unadjusted data. (c)—Weekly reporting member banks. (d)—Excess of disposable income over personal consumption expenditures. (e)—Estimated. (f)—Estimated by Council of Economic Advisors. (g)—337 non-financial centers. (na)—Not available. (r)—Revised. Other Sources: Federal Reserve Bd., Commerce Dept., Securities & Exch. Comm., Budget Bureau.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

No. of Issues (1925 Cl.—100)	1958 High	1958 Range Low	1958 July 25	1958 Aug 1
300 Combined Average	354.0	283.9	348.3	354.0H
4 Agricultural Implements	281.9	196.5	274.7	281.9H
3 Air Cond. ('53 Cl.—-100)	106.8	87.8	105.0	104.2
9 Aircraft ('27 Cl.—100)	1188.5	982.2	1178.6	1188.5
7 Airlines ('27 Cl.—100)	828.1	638.8	810.4	828.1H
4 Aluminum ('53 Cl.—100)	347.2	253.4	326.9	347.2H
6 Amusements	165.4	125.0	161.8	163.0
8 Automobile Accessories	353.0	298.9	350.2	353.0H
6 Automobiles	55.2	40.8	53.7	55.2H
4 Baking ('26 Cl.—100)	35.2	28.5	34.9	35.2H
4 Business Machines	1062.4	898.2	1062.4	1062.4
6 Chemicals	607.2	509.5	607.2	607.2
5 Coal Mining	23.9	18.4	22.9	23.9H
4 Comunications	115.1	85.7	110.9	115.1H
9 Construction	132.6	107.5	128.4	132.6H
7 Containers	920.2	707.3	913.3	920.2H
7 Copper Mining	237.6	184.6	232.2	237.6H
2 Dairy Products	137.4	115.6	132.8	134.0
6 Department Stores	97.6	78.9	97.6	96.1
5 Drugs-Eth. ('53 Cl.—100)	303.7	217.2	299.0	303.7H
6 Elec. Eqp. ('53 Cl.—100)	226.2	195.8	222.4	226.2H
2 Finance Companies	685.8	568.8	658.0	685 8H
6 Food Brands	348.2	255.5	340.7	348.2H
3 Food Stores	224.1	182.2	220.5	224.1

(Nov. 14, 1936 Cl.—100)	High	Low	July 25	Aug 1
100 High Priced Stocks	231.8	189.7	229.8	231 8H
100 Low Priced Stocks	432.2	334.7	423.8	432 2H
5 Gold Mining	772.5	530.5	715.9	705.6
4 Investment Trusts	166.4	144.4	163.6	166.4H
3 Liquor ('27 Cl.—100)	1191.0	913.4	1173.1	1191.0H
8 Machinery	409.1	343.8	398.8	409.1H
3 Mail Order	205.5	143.3	201.4	205.5H
4 Meat Packing	167.8	123.6	157.9	167 8H
5 Metal Fabr. ('53 Cl.—100)	162.5	138.1	154.4	162.5H
9 Metals, Miscellaneous	339.4	278.3	326.2	339.4H
4 Paper	1035.4	841.8	1027.0	1035.4H
22 Petroleum	803.3	629.7	803.3	803.3
21 Public Utilities	307.6	258.9	302.4	302.4
7 Railroad Equipment	78.4	59.2	77.8	78.4H
20 Railroads	58.0	43.0	56.7	58.0H
3 Soft Drinks	550.5	445.6	533.0	537.4
12 Steel & Iron	321.2	249.3	311.6	321.2H
4 Sugar	127.5	102.8	127.5	125.5
2 Sulphur	774.7	543.4	747.8	774.7H
10 Television ('27 Cl.—100)	38.9	28.8	38.9	38.9
5 Textiles	132.4	142.3	124.6	132.4H
3 Tires & Rubber	171.7	142.3	171.7	171.7
5 Tobacco	147.1	110.9	145.0	146 0
2 Variety Stores	300.7	239.3	298.5	291.9
17 Unclassif'd ('49 Cl.—100)	179.7	145.4	177.0	179.7H

H—New High for 1958.

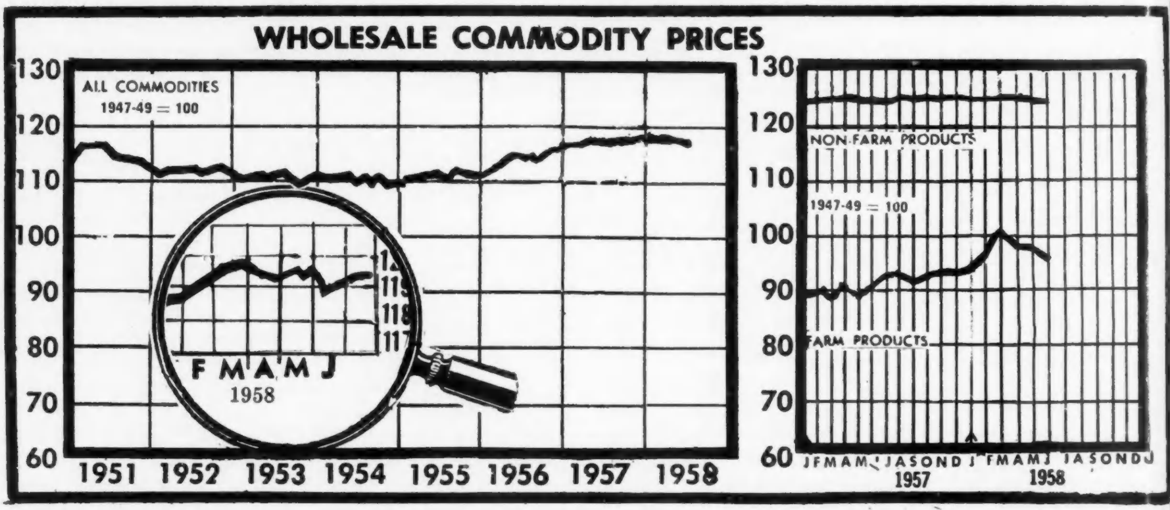
Trend of Commodities

SPOT MARKETS—Sensitive industrial raw material prices continued to advance in the two weeks ending August 1 and the BLS index of such commodities rose 1.4% during the period, impelled by strength in steel scrap and hides. The strength of industrial materials accounted for a gain of 0.6% in the over-all index of 22 commodities, which managed to advance despite generally lower quotations in the raw foods section.

In the last half of July, the rank and file of commodities were firm and the comprehensive price index compiled by BLS, rose 0.2%. Gains were confined to non-farm products while agricultural commodities displayed signs of weakness. The effects of the Middle East crisis were less in evidence as the period drew to a close, but upward pressure from higher wage costs was more in evidence.

FUTURES MARKETS—Futures markets were lower along a broad front in the two weeks ending August 1, as traders took a second look at the Middle East situation. With no signs of a shooting war in sight, selling was the order of the day, previous gains were wiped out and prices returned to the lows of early July. The Dow-Jones Commodity Futures Index lost 3.85 points in the fortnight ending August 1.

Wheat futures were sharply lower in the period under review, the September option giving up 6¼ cents to close at 185¾, only 2¼ cents from the low for the life of the option. The prospective wheat supply for this season is estimated at a huge 2,224 million bushels, as against last season's 1,856 million. As an offset, however, futures prices are well below loan levels and this should go a long way towards stabilizing prices.



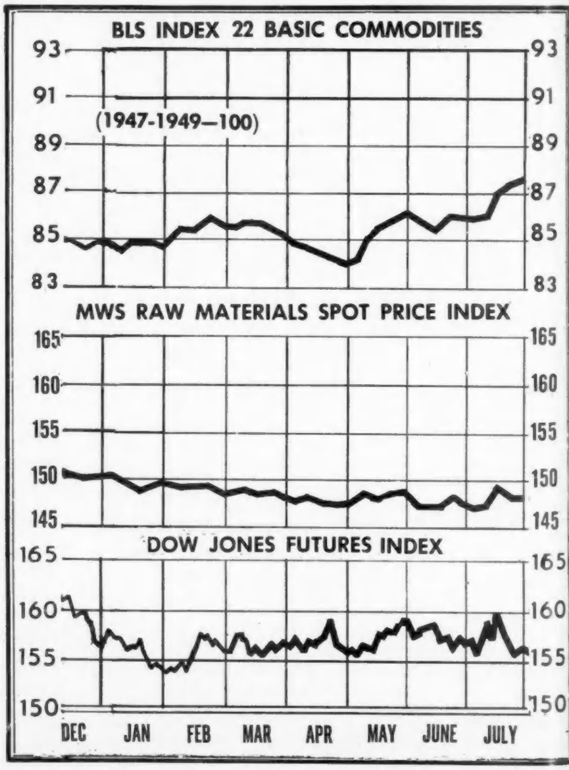
BLS PRICE INDEXES 1947-1949—100	Date	Latest Date	2 Weeks Ago	1 Yr. Ago	Dec. 6 1941
All Commodities	July 29	119.4	119.2	118.2	60.2
Farm Products	July 29	94.8	95.0	92.8	51.0
Non-Farm Products	July 29	126.0	125.7	125.7	67.0
22 Sensitive Commodities	Aug. 1	87.5	87.1	90.3	53.0
9 Foods	Aug. 1	88.8	89.4	86.4	46.5
13 Raw Ind'l. Materials	Aug. 1	86.6	85.4	92.9	58.3
5 Metals	Aug. 1	91.0	88.7	103.8	54.6
4 Textiles	Aug. 1	79.6	79.7	83.1	56.3

MWS SPOT PRICE INDEX
14 RAW MATERIALS
1923-1925 AVERAGE—100
AUG. 26, 1939—63.0 Dec. 6, 1941—85.0

	1958	1957	1953	1951	1945	1941
High of Year	150.2	166.3	162.2	215.4	98.9	85.7
Low of Year	147.1	149.5	147.9	176.4	96.7	74.3
Close of Year		150.0	152.1	180.8	98.5	83.5

DOW-JONES FUTURES INDEX
12 COMMODITIES
AVERAGE 1924-1926—100

	1958	1957	1953	1951	1945	1941
High of Year	159.0	163.4	166.5	214.5	106.4	84.6
Low of Year	154.1	153.8	166.8	189.4	105.9	84.1
Close of Year		156.5	147.9	176.4	96.7	74.3



Canadian Wilderness Yields Vast New Ore Reserves

(Continued from page 569)

tip of Ungava Peninsula from Wakeham on Ungava Bay to Cape Smith on the east coast of Hudson Bay. Geological explorations which have already taken place in this area show that very rich copper and nickel deposits exist there. Several mining companies are considering the development of these ore reserves but no definite plans have yet been made concerning the methods of mining to be used here.

The Northward Push

This prospecting boom is now extending northwards across the Hudson Strait towards the Arctic circle, into the region of Baffin Land where there have been reports of the existence of belts of many minerals including iron, nickel, copper, lead and gold. But a great deal of exploratory work still remains to be done before a completely accurate picture of the mineral resources of this region of the Canadian North can be obtained. However large low grade iron ore deposits have already been definitely located along the south shore of Baffin Island and the Oceanic Iron Ore Corporation has staked some claims in this area.

St. Lawrence Seaway Encourages Expansion

Although most of the ore mined in the Ungava region will certainly be eventually shipped to the United Kingdom and to Western European countries, there is no doubt that the chief market for the output of these new mines will be in the steel manufacturing region of the American Middle West in such States as Ohio and Pennsylvania. Therefore the completion of the St. Lawrence Seaway is of great importance to the future of all of these enterprises. When this waterway is opened, large Great Lakes ore carriers will be able to come down the St. Lawrence River below Montreal and take on cargoes at such ports as Seven Islands and the projected Port Cartier. And the same groups that are putting capital into these mining enterprises in Northern Quebec are also interested in keeping the ports on the Gulf of St. Lawrence open for shipping during the winter months. They have formed the Lower St. Lawrence and Gulf Association to put pressure on the Canadian Government to take moves towards this end. Experts who have made a study of this question say that year-round navigation in the Gulf is fully feasible with the aid of icebreakers.

One question that has arisen in connection with the development of these mineral reserves in Northern Quebec is the extent to which the output of the mines there will be refined and treated within the boundaries of Canada rather than shipped abroad. The Steel Company of Canada which is one of the backers of the Wabush Lake project and the Krupp-Eaton interests are both reported to be considering the project of constructing steel mills on the south shore of the St. Lawrence slightly below Montreal. This is a logical site for mills because of its proximity to the Montreal industrial area and to the eastern end of the St. Lawrence Seaway Channel.

It is a tribute to the belief of these financial groups in the essential soundness of the future of mining in Northern Quebec that they are continuing to pour in money there at a time when the demand for iron ore and other metals in the United States has declined considerably because of the recession. And there is no doubt that if the mineral discoveries and the influx of capital continues in Northern Quebec at their present very rapid rate this section of the Canadian North well become one of the major suppliers of ore and other metals to industries both in Canada and the United States and Europe.

Other Exploration Areas

The Northeastern section of Canada is only one of the more remote areas that is undergoing extensive exploration. The Northwest Territories, that vast expanse that extends from Baffin Bay west to the Yukon Territory and from the northern borders of the provinces to the Arctic Ocean, has been the site of many intriguing finds, although relative inaccessability has thus far limited development of the area. Of special interest is the gold mining region in the Yellowknife area of Great Slave Lake, with several producing gold mines and the enormous lead and zinc deposits at Pine Point on the south shore of the same lake. These base metal deposits, which are controlled by Consolidated Mining & Smelting of Canada, are said to contain the largest known body of lead and zinc in North America. Development has been hampered thus far by the lack of low-cost transportation and by the drop in base metal prices. Proceeding several hundred miles to the Southeast, we come to Lake Athabasca in Northern Saskatchewan, where uranium prospecting reached feverish heights several years ago. Several uranium mines are in operation there, including the Government - owned Eldorado. Further to the Southeast—in Manitoba—International Nickel is developing a gigantic nickel mine in the Mystery-Moak Lake area, 400 miles north of Winnipeg, at an estimated cost of $115 million for mines, mill, smelter and refinery. A production rate of 60 million pounds of nickel is scheduled for 1960, to be increased later to 75 million pounds a year.

Road Construction Program

One of the big problems of the northern reaches is accessibility. Canadian officials are well aware of this bottleneck and of the transformation that adequate roads would bring. They are studying the situation carefully and thousands of miles of road and rail are in the planning or construction stage as shown on the accompanying map. Once completed, such arteries will cut production costs drastically, bring many dormant properties into production and encourage a vast surge of prospecting and exploration.

Within the limits of this article, we have been able to describe only a small part of the activities and alluring prospects of the more northerly sections of Canada. It seems certain, however, that development will proceed at an ever-increasing tempo and that the vast treasures deposited there will serve increasingly to enrich mankind. END

Lockheed Management answers your questions about:

Lockheed's Diversification

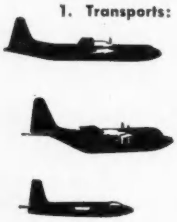
1. How many types of aircraft and missiles is Lockheed manufacturing or developing? What other activities is Lockheed engaged in?

Lockheed, long noted for its wide diversification, now has more projects in production or development stages than at any time in its history—thus increasing our resiliency and ability to adjust to changing conditions in the years ahead.

Lockheed Aircraft Corporation is composed of a team of autonomous operating divisions—each one specializing in certain fields and independently active in a multitude of endeavors that make up today's air/space industry. Lockheed's versatility in management and technical skills is, we believe, unrivaled in the field of flight.

Here is a partial list (restricted for security reasons) of Lockheed projects which are now in production or development stages:

MANNED AIRPLANES



1. Transports:
- Passenger piston Super Constellation
- Cargo piston Super Constellation
- Passenger prop-jet Electra
- Airfreighter prop-jet Hercules
- Utility jet JetStar
- Prop-jet in-flight refueling tanker
- Prop-jet troop, missile carrier
- Prop-jet photo-mapping, air rescue
- Prop-jet drone launcher director
- Chemically-powered logistics
- Jet/prop-jet special air missions
- Supersonic jet transport study

2. Fighters:
- F-104A-C air superiority jet Starfighter
- F-104B-D two-seat jet Starfighter
- Jet all-weather interceptor
- Jet unmanned
- Jet fighter-bomber
- Close support attack

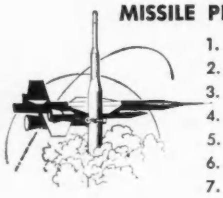
3. Trainers:
- T-33A jet
- T2V-1 jet SeaStar
- Jet and prop-jet navigational
- Jet and prop-jet electronic counter measure

4. Patrol Planes:
- P2V-7 piston-jet anti-submarine Neptune
- WV-2 & WV-2E piston flying radar stations
- P3V-1 prop-jet anti-submarine Electra
- Prop-jet flying radar station

5. Research Planes:
- U-2 high altitude
- P2V equipped for International Geophysical Year

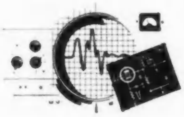
6. Nuclear Plane:
- Nuclear-powered strategic bomber design
- Nuclear-powered logistics, patrol designs

MISSILE PROGRAMS



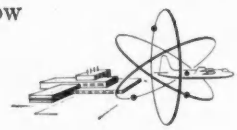
1. Navy Polaris missile system
2. Earth satellite
3. Army Kingfisher target service
4. XQ-5 Air Force test drone
5. X-7A Air Force ram-jet test vehicle
6. Navy flight test rocket vehicle
7. Anti-Intercontinental Ballistic Missile (study program)

ELECTRONIC DEVICES



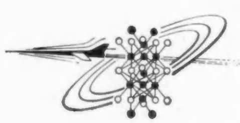
1. Telemetering equipment
2. In-flight recording devices
3. Training aids and simulators
4. Solid-state electronic devices
5. Data-link systems
6. Radar and beacon systems
7. Data reduction equipment
8. Antenna development

NUCLEAR PROGRAMS



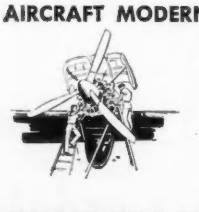
1. Testing of nuclear devices
2. Industrial reactor design
3. Nuclear propulsion for missiles
4. Radiation effects on aircraft systems, equipment, and materials
5. Radiation shielding
6. Radioisotopes for industry

RESEARCH PROGRAMS



1. Man in space
2. Space communication laboratory
3. Ion propulsion
4. Gas dynamics under magnetic influence
5. Computing machine memories
6. Very high-speed aerodynamics
7. Human engineering and crew fatigue studies
8. Noise suppression
9. Materials and processes
10. Boundary layer control
11. Jet thrust reversal
12. Electromagnetic wave propagation and radiation
13. VTOL and STOL designs
14. Operations research and analysis
15. Chemically-powered supersonic bomber design

AIRCRAFT MODERNIZATION AND SERVICE



1. Maintenance, overhaul and servicing
2. Repair
3. Modification
4. Electronics maintenance and overhaul
5. Missile field service support

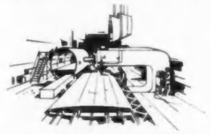
AIRPORT SERVICES

1. Operation
2. Aviation fuel distributorship
3. Maintenance base operation

MANAGEMENT SERVICES

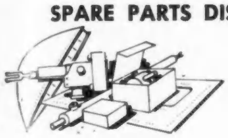
1. Airport management consultation
2. Aircraft production licensing and technical assistance
3. Aircraft/missile flight and ground crew training
4. Computer time
5. Nuclear operations management

MANUFACTURING SUBCONTRACTING



1. Tool design and manufacturing
2. Fabrication
3. Assembly

SPARE PARTS DISTRIBUTION



13,000 parts for commercial planes alone — in five U. S. depots

HANDLING EQUIPMENT

1. Passenger/cargo loading bridges
2. Aircraft/missile maintenance and ground handling equipment
3. Aircraft/missile test and checkout equipment
4. Mechanized cargo loading systems
5. Aircraft/missile flight and maintenance training aids
6. Aerial delivery systems

2. Is Lockheed's diversification paying off in increased sales and profits?

Yes. And it will continue to. Our drive for diversification in the past decade has brought significant sales in many new fields. Let's look, for example, at several areas in which we have expanded vigorously:

Missiles and satellites—first contract 1946... total sales through mid-1958: $289 million ...expected 1958 sales: over $200 million.

Nuclear energy—first contract 1951...sales through mid-1958: over $10 million.

Government research and development—from less than $6 million in 1947 to $26 million in 1957. Total postwar research sales: $157 million.

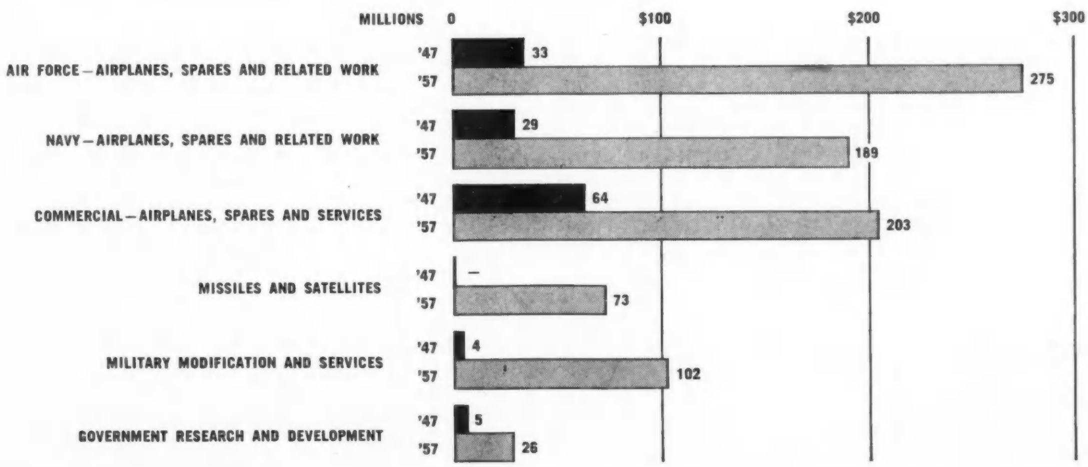
Airborne early warning—first radar picket plane flew in 1949...sales through mid-1958: $385 million.

Military modernization and service—1947 sales: $3 million...sales in 1957: $102 million.

Trainers—first trainer flew in 1948...sales through mid-1958: $506 million.

Out of the many advanced projects we are now developing will come exciting new contributions to human knowledge—and sales from sources undreamed of a few short years ago: commercial applications of missile and space travel technologies...radically new supersonic jet transports...harnessing of nuclear energy for industrial use...electronics applications... or from the whisper of an idea as yet unborn.

LOCKHEED DIVERSIFICATION: A COMPARISON OF 1947 VS. 1957



TOTAL SALES, 1947: $135 MILLION   TOTAL SALES, 1957: $868 MILLION

LOCKHEED ***means leadership***

Impact of Middle East on Defense Program

(Continued from page 562)

The Defense Comptroller Wilfred J. McNeill has stated our DEW (Distant Early Warning) and SAGE (Semi Automatic Ground Environment) in Canada and the Pinetree warning lines on our border cost over $22 billion. They have been under construction for a number of years and are now prepared to give adequate warning of enemy aircraft. The operating cost is around $2 billion annually. Mr. McNeil estimates that to modernize these systems so as to detect the 18,000 mile-an-hour ballistic missiles as they travel through outer space would cost an additional $13 billion. There would also be an increase in operating costs.

Premier Khrushchev has stated several times that bombers are obsolete and that Russia was concentrating on building mid-range and long distance ballistic missiles. Intelligence reports indicate production of the Russian four-engined long range Bison has been drastically cut back (if not stopped). The factory building the four-engine (turboprop) Bear has been reported converted for the production of commercial airliners.

The Middle East situation may have been responsible for the Senate speeding up the controversial legislation for the new National Aeronautic and Space Administration. It is being formed by giving new powers to the National Advisory Committee on Aeronautics, one of the best administered federal agencies. The new agency will have an initial budget of $343 million. Of this, $117 million will be transferred from the Advanced Research Project Agency of the Defense Department.

New Space Agency

This new space agency will administer all civil space activities, including operational projects. The lunar probes and shots, space vehicles to other planets, and scientific satellites will come under its jurisdiction. It will issue contracts to industry and private laboratories for such projects. The Pentagon will continue to control the development of all spaceships having military significance such as reconnaissance satellites, glide bombers, etc.

The future role of the SAC chemical engine Mach 3 B-70 heavy bomber may also depend on the final diplomatic negotiations growing out of the Middle East situation. The same might apply to the Mach 3 all-purpose twin-engine F-108 fighter. The all steel aircraft are the most advanced weapons that could go into production in the next few years. North American has the prime contracts for both projects. Major subcontracts are due for issuance in the near future. Both will be very expensive weapons. Normal world conditions might cause cancellations. END

Outlook For The Machinery and Machine Tool Makers

(Continued from page 583)

at least had the fight taken out of it.

The really fine level of farm income, the remarkable showing being made by the steel industry, and above all the extraordinary burst of confidence being shown by the stock market, itself no mean prognosticator, can hardly be dismissed as straws in the wind. Rather they may mean the wind has shifted, and is getting stronger.

Should this prove to be the case, it will show up in the machinery and machine tool industry as soon, if not sooner than in most other industries. This would seem a poor time to become bearish or stay bearish on the leading equities of the industry, for the bad news may be out. It has not been a very good year for the bears, anyway.

There is no reason to question the longer term outlook for the industry. The steady rise in labor and material costs, the development of new and increasingly efficient machinery of all types, the trend toward greater mechanization, or automation if you wish, these factors are all present and brightening the industry's longer term outlook.

Individual Companies

In the attached tables we have given brief thumbnail sketches

covering most of the machinery and machine tool companies. In addition we have discussed in greater detail the current earnings and dividend outlook for certain of the most widely owned leaders in various segments of the industry.

Detailed Company Comments

Link-Belt has long been one of the top-drawer companies in the machinery industry, and gives every promise of continuing as such. About half of its sales are derived from power transmission machinery, and slightly more than half from materials handling equipment. Included in this latter category are power shovels and cranes (10%-15% of sales) as well as other machines. Viewed from the longer term, the company's earnings will be aided by the Federal road program as it gets under way, although this will be a minor factor in 1958 results.

Revenues for the first six months were off 17%, and earnings per share were $1.46, down from $2.91 the year before. Although comparisons should improve as the year goes on, earnings for the full year 1958 will be well below the $5.41 scored in 1957. However, results in 1959 should show material improvement. Dividends, reduced to $0.60 quarterly from $0.75, should continue, as the company's finances are excellent. Now at 56, down from 76½ in 1956, Link-Belt is among the most attractive of the machinery companies for investors.

American Machine & Foundry must be included among the most interesting of the machinery companies from the investment viewpoint. Because of the slow-down in industrial purchases of machinery and lower defense volume, the company reported a drop of nearly 50% in its order backlogs (as of March 31, 1958). However, it should be noted that defense business accounted for over 35% of its 1956 sales and rentals while its pin-spotter machine (used in bowling alleys to replace pin-boys), accounted for 18%.

Although earnings for 1958 are expected to be only about $3.00, down from $3.51 in 1957, prospects for 1959 shape up well. The company is expanding its output of pin-spotting machines by 33%, and building new facilities for this item. Any step-up in the country's defense program also will be reflected in 1959 orders and returns, as the company is expanding its missile work. Current dividends of $0.40 quarterly should continue. Now at 38, down from 43¾ in 1957, the issue has above average appeal for the longer pull.

Ingersoll-Rand, long the leader in the general machinery industry, can hardly be expected to escape the decline in expenditures for plant and equipment by most industries which has characterized the economy during 1958. The company releases only limited information on backlogs and interim operations. However, it seems rather probable that both sales and profits for the current year will be below the record levels reported for 1957 when net was $6.01 a share. The decline is expected to be moderate however.

The company's export business is relatively large, and it also has substantial other income from its securities portfolio, both stabilizing factors under present conditions. 1959 prospects shape up rather well. Any improvement in the industrial outlook will be quickly reflected in the company's earnings. The company's outstanding competitive position and exceptional finances add to its appeal both for private and institutional investment.

Cincinnati Milling Machine, largest producer of machine tools in the U.S., has the automobile and automobile equipment companies as one of its principal markets. Largely because of the disappointing 1958 year for auto makers, sales for twenty four weeks ended June 14, 1958 were down 35%, and earnings were $1.03 a share, down from $2.56 a year earlier. It seems rather likely that the worst has been seen however, and interim comparisons should improve from here on.

1959 prospects will depend to a major degree on the relative appeal of 1959 auto models, which will soon be on display. It is too early to appraise the outlook for this industry, but in view of growing belief that the economic outlook is improving it would seem imprudent to become bearish at this stage. Meanwhile, the strong finances and favorable longer term prospects of Cincin-

nati Milling machine are reassuring. At 39, down from its 1956 high of 55, the equity would appear to have at least partially written off 1958 results.

Excello Corp., not only is a substantial producer of conventional machine tools for the auto and other trades, but also is now a leading producer of high-precision tools. This company's operations and profits are relatively sensitive to changes in the Government's defense programs.

As a result of lower industrial and defense activity, the company's earnings for the year ending November 30, 1958 probably will not be much over $2.75 as against $3.89 in fiscal 1957. Despite the reduced coverage, present dividends of $0.37½ quarterly may continue. At its current price of 40, down from 52 in 1956, and with improving prospects for both defense and industrial products in 1959, the equity looks better. END

INDONESIA
Land of Fabulous Wealth

(Continued from page 575)

miles to help form the perimeter or line of communications for which the Japanese once fought and which the Russians can now use. If faltering Malaya and Singapore were to fall to Communism, rich Indonesia would surely be the next target. Always able to use more manpower, the Reds have concentrated on softening the nation by obtaining popular support; they now receive about 6,000,000 votes. Communist magazines circulate among peasants who can obtain little else to read.

On a governmental level, Indonesia recognizes Red China; pictures of Sukarno meeting with Moa Tse-tung have often been seen on city streets. Also in the cities, the visitor can meet citizens who proudly show their neutrality. "I'm not anti-Communist, you understand, just non-Communist." Thus, besides the 6,000,000 voters and the 1,000,000 or more members of SOBSI, the Communist-dominated labor union, there are millions of compromisers who could be swayed by any important political event. Fortunately, however, there is a large opposition: Moslems, right wingers, and members of the growing capitalist classes. It can be hoped that as the taste of colonialism dies out, the more bitter threat of Communism and of extreme nationalism will wither too.

Besides nationalism and Communism, other fires burn within the Indonesian political volcano: Sukarno's government and the rebels against it. Achmed Sukarno's politics have gotten him into trouble since he was first arrested in 1929 and later exiled. His stated political creed is to ride a white horse, stay in the saddle, and not worry about where the horse is going. For him, it is fortunate that he does not worry. His nation's government has 28 parties, which outdoes even headline-winning European powers.

The reasons for opposition to his government are largely geographic. The nation is nominally at least divided into ten provinces, each with a governor responsible to the central administration. In a nation of 2,000 islands and 250 dialects, such a simple system is largely superficial order pulled over basic chaos. As the nation is still not unified (a paradox for such a nationalistic state) small groups resist the Central Government's control. The islands are radically different in nature. Java has 1,000 people per square mile; the outer islands average about 40. The outer islands such as Sumatra have developed more rapidly than the inner islands such as Java. While the former produce 80% of the foreign exchange earnings, the latter controls the government. Resentment is great.

By December, 1956, the resentment had built up to the first major eruption; the reason was alleged central exploitation of outer territories. To solve the problem—yet make it worse—Sukarno in March 1957 proclaimed martial law.

As the rebellion burst out, America saw the possibility of losing Indonesia to complete Communist control. She simultaneously visualized the "made in America" label for the civil war. Washington chose to remain neutral.

By the middle of June, 1958, the Central Government had squashed the revolution and seized rebel headquarters. Although valiant guerrillas continue to fight in the jungles today, little is expected. The government remains the same; so do Indonesia's problems. Uneducated masses, inefficient government, red tape, Communism, socialism, and Sukarno dominate the Indonesian picture. But for those who dare to tackle these problems, the undeveloped, age-old riches still wait. END

What Pick-Up in Construction Means to Individual Building Companies

(Continued from page 578)

supply category. Additional gains are envisioned in highway extensions over coming years. Funds allocated for earlier years will be available as engineering plans are completed with the result that expenditures may climb to as much as $8 billion annually by 1961, according to present calculation.

Public pressure for adequate educational facilities has given impetus to school construction plans. The drop in interest rates has sparked activity in public works projects by enabling municipalities to raise needed funds. Continued gains in population in suburban areas has created extreme shortages of school facilities in some metropolitan centers. Although estimates of outlays in schools and hospitals are fragmentary, statistical compilations suggest that projects of this nature may reach a new high in 1958 of about $4.6 billion, compared with $4.5 billion in 1957 and $4.1 in 1956. Public works expenditures of all types, including state and local governments, may advance this year to $15 billion from less than $14 billion in 1957, it is estimated.

Profits in Construction

In examining financial aspects of the construction industry—especially in terms of earnings and dividend records of principal corporations represented in various segments — evidence of a cheerful outlook is not readily apparent. Depressing effects of overproduction and keen competi-

tion are apparent in almost all areas, much of the unsatisfactory showing being attributable to a general inability to pass along to the consuming public consistently rising labor costs. In many segments of the industry operations are hardly susceptible to modern automation practices—hence, labor costs bulk large in the price structure.

The difficulty of obtaining large construction contracts without making concessions has become increasingly apparent in public works projects. Labor rates for unskilled and semi-skilled workers have advanced greater proportionately than in other categories, considering the relatively low return obtained on jobs requiring manual efforts. Contractors have found that they must hold down prices on raw materials. The end result has been subnormal margins for producers of cement, gypsum wallboard, bricks, lumber, etc., where supplies have been readily available in such quantities that discounts can be demanded.

Rapid expansion of cement-making facilities in recent years has made this segment of the industry vulnerable to pressure on profit margins. Severe weather conditions last winter added to manufacturers' problems. Shipments fell sharply in early months of the year, especially in the populous Northeast section of the country, where much of cement production is concentrated. Some increase in imports along the Atlantic seaboard posed a problem in the first half of 1958 and discouraged producers from advancing prices to compensate for wage increases. In the South and Middle West, however, price increases were adopted — at least where materials were not in excessive supply — enabling some companies to maintain reasonable profits.

Notwithstanding an encouraging recovery in demand in the June quarter, output appears likely to exceed demand for the year, and the industry's operating rate may fall below the unsatisfactory 1957 level. Production is being projected at about 290 million barrels, slightly higher than last year, but facilities have been expanded again this year.

Absence of labor troubles is one of the favorable factors experienced by the cement group. Thus despite the squeeze on profit ratios and higher wage costs, earnings should average about as much as in 1957 for representative companies. Some which were especially hard hit by strikes in 1957 may fare a bit better this year. More liberal depletion deductions permitted the industry as a result of a Supreme Court ruling last year should contribute to a moderately better financial picture and encourage producers to look forward to still further gains in 1957.

Wallboard and roofing group— Mixed conditions are noted in this group where some progress has been made in boosting selling prices for essential materials. The gypsum section, concentrated in relatively few producers, has maintained a somewhat firmer price structure, but margins seem to have suffered from reduced volume and higher wage costs. The brisk upturn in residential building manifested after settlement of labor disputes strengthened the industry's position and permitted a moderate upward revision in prices.

Asphalt roofing — prices have been under pressure for more than a year until the last few months. Manufacturers raised prices in May and June, but not all of the concessions from listed quotations could be recouped. As a result, earnings in the first half of 1958 proved unsatisfactory for most companies heavily concentrated in roofing. Second half results should prove more favorable and, barring repetition of last winter's severe weather, early months of 1959 should register improvement over the March quarter this year.

Plumbing-and-heating manufacturers—This is probably the least promising section of the industry, where curtailment of industrial and commercial projects was more forcefully felt than in the case of cement producers. Productive capacity remains excessive and seemingly is likely to remain so, well into the future, tending to encourage keen competition. Until housing starts rise considerably (perhaps in another two years, or industrial construction revives, the outlook for representative companies in this group seems likely to prove dubious.

Among small sections of the building supply group are **lumber**

companies and **paint makers.** Most of the representatives of these industries have fared reasonably well considering depressed conditions. Plywood producers have felt adverse effects of keen competition from time to time, but overproduction has been corrected promptly and excessive supplies have been absorbed. Prices were marked up in the June quarter to a level offering prospect of more satisfactory operating results in the second half of the year. An unusually low rate of building work early in the year together with a tendency to reduce inventories in dealer hands contributed to unsatisfactory results.

Paint producers felt the restrictive influence of widespread cutbacks in industrial construction. Demand for surface coatings and finishes for consumer goods such as motor cars declined sharply. Replacement sales of household interior paints were well maintained, however, comparing favorably with experience of a year ago, but sales of industrial finishes slipped about 10 per cent in the first half year. In view of the fact that almost two-thirds of paint produced for the trade goes for coating buildings and the number of residences requiring refurbishing has greatly increased, the outlook for the relatively few major companies in the trade is reasonably promising.

One of the potent restraining factors evident in evaluating securities in the building supply group is the convincing evidence of over-capacity which may not be adjusted for several years. Profit margins seem likely to be under pressure until housing starts reach a level of 1.3 million to 1.4 million or until other segments of construction rebound. Repairs and maintenance, although important, have not contributed sufficiently to new orders to compensate for the downtrend in residential activity in 1957 and the subsequent setback in industrial and commercial projects. It is in the light of continued uncertainty over total demand for building supplies that the investment world must view prospects for numerous representative manufacturers reviewed in this survey. END

For Profit and Income

(Continued from page 589)

off competitors this year. In a depressed field, first-half sales held even with a year ago, margins widened, and profit rose to $1.93 a share, from $1.59 a year ago. It probably will exceed $4 a share for the full year, up from 1957's $3.78. With cash ample, dividends no doubt will at least match last year's $2.40 total, which included a 40-cent year-end extra. Now close to its recent high, the stock, not widely known to the public, yields about 7% at 35.

Percentage

Well-established and well-managed, comparatively small or medium-sized companies often have greater growth possibilities than their giant competitors. It is a matter of percentage, not dollar totals or sales or income. One example is American Potash & Chemical, now around 45 in a 1956-1958 range of 66¾-33⅜. Another is Hooker Chemical, at 33 in a 1956-1958 range of 52¼-22½. Both are high on unimpressive 1958 earnings, but that is true of virtually all cyclical-type or growth stocks. On the basis of long-range potentials, it is probably something like a 2-to-1 bet that these stocks can outgain such prominent chemical issues as Allied Chemical, du Pont, American Cyanamid and Union Carbide.

So What?

Dividend cuts are mostly having little and temporary effects in this market. For instance, American Smelting recently cut from $2 to $1, after a cut from $3 to $2 earlier this year. The stock reacted a little over 3 points, nearly all of it in one trading session, from a high of 48⅛; and is currently at 46⅛. It is richly priced on 1958 earnings which may be roughly half 1957's $3.94 a share and less than a third of 1956's peak $6.67 a share. The yield is less than 2.2%. Valuation of this stock, and others in its field, would seem to suggest dynamic long-term growth in consumption of copper, lead and zinc; and a major recovery in depressed metal prices. We question the wisdom of "laughing" off competitive growth in uses of aluminum and plastics, and the large excess of metal-mining capacity. —END

What 2nd Quarter Earnings Reveal — Looking to 1959

(Continued from page 566)

several industries have moved forward en masse.

The tire and rubber group in particular has scored excellent gains under the stimulus of an exceptionally strong replacement tire market.

Goodrich, typical of the group, was able to raise its sales to $172 million from $162 million in last year's second quarter. Net of 90¢ per share fell below the previous $1.07, but selling costs in the replacement market are substantially higher on original equipment sales, which are on a contract basis with the auto manufacturers.

Also, several important companies in the building and construction materials groups scored impressive gains (see article in this issue), while better earnings were also well scattered throughout the paper, cement, and container industries.

Before assuming that the worst is behind us, however, it is well to bear in mind that sustained improvement will depend in no small measure on the performance of the automobile industry later in the year, and on the ability of the steel industry to continue operations at improved levels without the all-important stimulus from the car makers. A mild recovery has set in, and let us hope that it develops into a sustained one, but seasoned investors wil not lose sight of the many depressants that still exist in the economy. Moreover, they will be particularly aware that a benign government has helped the situation trenmendously through money market manipulations and extensive defense procurement. These maneuvers are welcome if they have merely helped the economy over a rough spot in the road. If, on the other hand, they have merely covered up conditions that should have been corrected, the recovery could prove to be an abortive one. END

As I See It!

(Continued from page 557)

would come out of the first three months experience but the important point is that the country could be on a defense footing in a matter of hours, not days or weeks—or even months.

Reassured by the existence of such a system, backed by a granary of stored agricultural products, and a military reserve such as has never existed before, nothing but a devastating atomic attack could be seriously disruptive. No one suggests that, come what may, any Great Power contemplates nuclear suicide, the inevitable result of a first-day victory using those dread weapons.

Shipping lanes and alternate routes — these, too, have been charted with great particularity and with attention to the shifting forces of a war-endangered world. Defense early warning, vastly enlarged troop transport facilities, all contributed their part to the successful defense "on paper" which engenders a feeling of protective security insofar as it is within the power of a Nation to plan for it without sacrificing all else.

Why is this information not more a part of public awareness? The answer is simple, and logical. There has been a continuing movement on Capitol Hill for years to enact standby "preparedness" legislation: to have in readiness a system of controls that will draw from labor and management, and our available resources, the last full measure of potent retaliation and adequate defense. But President Eisenhower has been content to go along with the system that exists. He knows it well. He has confidence in its adequacy to do the job, and he has succeeded in installing like confidence in Senators and Representatives. Ike knows that methods of defense and attack are constantly changing, that new weapons are coming into view and old ones improved upon. He favors the elasticity we now have, confident in the belief that the United States would have the incentive, know-how, and willingness to quicken the pace if need be, but in any event would not be shackled by outmoded regulation.

END

★ ★ ★ Book Reviews ★ ★ ★

What's Going On in Space?

A chronicle of man's exploration into space beyond this earth

By COMMANDER DAVID C. HOLMES, U.S.N.

The first beeps from the Russian space satellite Sputnick I fell with dramatic impact upon a tense and groping Western world. What did it mean? Where were we going? Had the Russians achieved an irretrivable scientific superiority over us? Hada we lost the technical leadership on which we so prided ourselves? Where we beginning to lose the weapons and security race? In WHAT'S GOING ON IN SPACE?, Commander David C. Holmes of the U. S. Navy attempts to answer these and many other questions.

The United States Satellite Program, named Project Vanguard when it was announced from the White House on July 29, 1955, is part of the most comprehensive world-wide scientific effort of all time. Some forty-two nations are participating in the International Geophysical Year, whose purpose is to conduct precise observations of man's environmental phenomena, ranging from the temperature at the earth's core to the cosmic radiations of outer space. Explorer, our first space satellite, has already told us much about the realm beyond our earth.

Explorer and Vanguard are only one aspect of the American program for the investigation of the phenomena in space. We plan to orbit several moonlets to keep the Sputnik company before the end of the International Geophysical Year. Far Side, the Air Force program that derives its name from the outer hemisphere of the moon which human eyes have never seen, will reach much further. Man High, another Air Force endeavor, has already taken the first men to the upper limits of the earth's atmosphere, at the very edge of space. Added together, these programs form a concerted, swiftly moving attack against the blue-vaulted prison above us.

Before the end of this century, the initial groping steps into space taken by the Sputniks, Explorer, Vanguard, and Far Side will surely result in human attempts to follow them. Throughout the long past, man has been shackled to his small earth, marooned on an island in the endless void of space. Our total contact with the mysteries outside our atmosphere has been through charred meteoric dust and the blurred images of other worlds seen through our telescopes. But this isolation was reduced startlingly by each revolution of the tiny Soviet moon. And a brand-new road to conquest lies ahead in the great void beyond the earth.

This is the story of exploration and conquest on today's frontier. In the history books of tomorrow, no other event of our time will occupy more pages. In the heritage we leave for the future, no other achievement will be more significant. In this story lie the dreams, the hope, and the ultimate fulfillment of mankind.

Funk & Wagnalls $3.95

Antitrust and American Business Abroad

By KINGMAN BREWSTER, Jr.

Here is a thorough and comprehensive study of the antitrust laws of the United States as applied to American commerce with foreign nations. In addition to a searching analysis of current law of value to practitioners and businessmen, present law and policy is evaluated in the light of the international interests and objectives of the United States. Practical proposals for reform, particularly in the administration of the law, are offered.

This is not an abstract presentation of the law. Rather it asseses the legality of relations and transactions most likely to raise antitrust problems, and estimates the law's impact upon business decisions. The latter is especially pertinent because of the increasing importance of foreign business to the achievement of American foreign economic objectives. To obtain this information, nearly 100 interviews were conducted with businessmen and lawyers engaged in foreign business operations.

Both the law and American world outlook have changed measurably since the last books were written on this subject immediately after World War II. This book covers the implications of all recent cases in the field and indicates the probable line of development in future cases. It presents a thoughtful reappraisal of the position of our antitrust laws against the background of our country's postwar position in the world.

McGraw Hill $12.00

A Personal Service...For The Investor With Securities Worth $20,000 or More

The recession has bottomed out! Glad tidings of a pick-up in numerous companies is being welcomed. Yet, drab news of continuing slack — even further earnings decline is still appearing elsewhere.

This is truly a time when every security you own will require careful reappraisal.

You will want to sell or avoid issues that have now advanced to prices not justified by 1958-59 prospects — issues that may be hit by the increased wave of 1958 dividend casualties — companies losing out in the competitive race.

You will want to buy and hold companies financially strong with the managerial ability to secure a full share of defense orders, public works contracts, huge consumer spending. Their earnings-dividend outlook may also be brightened as beneficiaries of amazing new scientific achievements and technological achievements.

With business and security prices in the throes of adjustment to new conditions, you have much to gain from Investment Management Service—which has successfully aided investors in markets of every type to protect and build their capital and income . . . looking to future financial independence.

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Our first step in serving you is to make a detailed report—analyzing your entire list—taking into consideration income, safety, diversification, enhancement probabilities—today's factors and tomorrow's outlook.

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Definite counsel is given on each issue in your account . . . advising retention of those most attractive for income and growth . . . preventing sale of those now thoroughly liquidated and likely to improve. We will point out unfavorable or overpriced securities and make substitute recommendations in companies with unusually promising 1958 prospects and longer term profit potentials.

Close Continuous Supervision of All Holdings:

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